REGISTERED OFFICES: VIA IGNAZIO GARDELLA 2 - 20149 MILAN
SHARE CAPITAL EURO 67,378,924 FULLY PAID-UP
TAX CODE AND MILAN COMPANIES' REGISTER
NO. 01329510158 – REA NO. 54871
ENTERED IN THE REGISTER OF INSURANCE AND REINSURANCE COMPANIES
SECTION I – NO. 1.00014
ENTERED IN THE REGISTER OF INSURANCE GROUPS UNDER NO. 008

Group Solvency and Financial Condition Report

FY 2016

Board of Directors of 29 June 2017

(Translation from the Italian original which remains the definitive version)

Contents

Introduction

The Solvency II Directive came into effect on 1 January 2016.
In particular, as a result of the amendments to the code of private insurance companies (Italian Legislative Decree no. 209 of 7 September 2005), the Italian Legislative Decree no. 74 of 12 May 2015 enacted the Directive 2009/138/EC of the European Parliament and Council, by providing the Italian regulatory framework with the new solvency regime (Solvency II) to which insurance and reinsurance undertakings are subject.

Solvency II is based on three pillars: first, the quantitative capital requirements and quantification of risks; second, the qualitative requirements, with a particular focus on the corporate governance within the companies; third, the rules of transparency and disclosure to the public and the regulator.

Aimed at fulfilling the market transparency requirements, this Solvency and Financial Condition Report (SFCR) is prepared in accordance with the reporting criteria and structure defined by following laws and regulations:

<u>1 Level Regulation</u>

- Italian Legislative Decree no. 209 of 7 September 2005 and subsequent amendments (Code of private insurance companies (hereinafter "Code").

<u>2 Level Regulation</u>

- Directive no. 2009/138/EC of the European Parliament and Council (hereinafter "Directive");
- Delegated Regulation (EU) 2015/35 of the Commission, of 10 October 2014;
- Delegated Regulation (EU) 2015/2452 of the Commission, of 2 December 2015;

<u>3 Level Regulation</u>

- IVASS Regulation no. 33 of 6 December 2016.

In compliance with provisions under Article 303 of the Delegated Regulation (EU) 2015/35 of the Commission, of 10 October 2014, this Report, under the section: "E. Capital Management" does not include a comparison with the previous reference period, that covers a period following the application date of the Directive.

Overview of the main data relating to solvency position

The table below sums up the main data that are helpful to understand the solvency situation of the undertaking in relation to the financial year ended 31 December 2016.

Overview of key solvency data		(€/000)
		31/12/16
A	Solvency Capital Requirement (SCR)	374,909
B	Minimum Capital Requirement (MCR)	168,709
C	Eligible own funds to meet Solvency Capital Requirement	819,699
D	Net deferred tax assets	20,861
C-D	Eligible own funds to meet Minimum Capital Requirement	798,838
C/A	Ratio of Eligible own funds to SCR	218.6%
(C-D)/B	Ratio of Eligible own funds to MCR	473.5%

On 11 May 2017, IVASS authorized the Company to use USP (Undertaking Specific Parameters) starting from data as at 31 December 2016.
Data indicated in the table above were therefore calculated using the Standard Formula with USPs and the Volatility Adjustment.

The Undertaking Specific Parameters (USPs) are a subset of parameters of the Standard Formula represented by specific values of the Company that replace, prior approval by the Regulator, the values determined by EIOPA at European level. These parameters are referred to the valuation of the Solvency Capital Requirement.

The Volatility Adjustment (VA) is a mechanism that enables the Companies to reduce the disruptive effects due to the Solvency II valuation approach which aims to produce some volatility in the Own Funds, as assets and liabilities (valuated with market logic) are generally enhanced through different discounting curves:

- liabilities, through a risk-free interest rate curve, for all European Companies;
- assets, mainly bonds, depend on the type of the issuer which the single Company is exposed to.

The Volatility Adjustment (VA) is used to discount future cash flows related to insurance contracts using, instead of the risk-free curve, a curve that is more representative of the bond portfolio held as at the valuation date.
The VA curve is set by EIOPA for each country defining the values of the additional spreads to be applied to the risk-free interest rate curve.
As required by laws and regulations, this Report outlines the quantitative impact of this choice.

Reference should be made to the chapter: “E. Capital Management” as for the calculation of Solvency II Own Funds, the Solvency Capital Requirement and the Minimum Capital Requirement.
For insights relating to the Deferred Tax Assets reference should be made to the chapter: “D. Valuation for solvency purposes”.

The change in relation to the Solvency Ratio estimate reported in the statutory financial statements as at 31 December 2016, accounting for 170.3%, is due to the calculation made by using the USPs, achieved in the meantime.

A. Business and performance

A.1 Business

A.1.1 Name and legal form of the undertaking

Vittoria Assicurazioni S.p.A. is a limited company founded in 1921. It is listed on the Milan Stock Exchange.

A.1.2 Regulator responsible for the undertaking's supervision

Vittoria Assicurazioni S.p.A. and the Group it belongs to are subject to the supervision of IVASS, namely the Italian regulator, based in Rome.
As issuer of listed shares on the electronic share market (MTA) managed by Borsa Italiana S.p.A., Vittoria Assicurazioni is also subject to the supervision of CONSOB, namely the Italian Securities Commission, based in Rome.

A.1.3 External auditor

The Shareholders' Meeting of 20 April 2012 appointed the following audit firm for the period 2012 – 2020:
Deloitte & Touche S.p.A.
Via Tortona, 25
20144 - Milan

A.1.4 Qualifying holdings in the undertaking (pursuant to Article 13(21) of Solvency II decree)

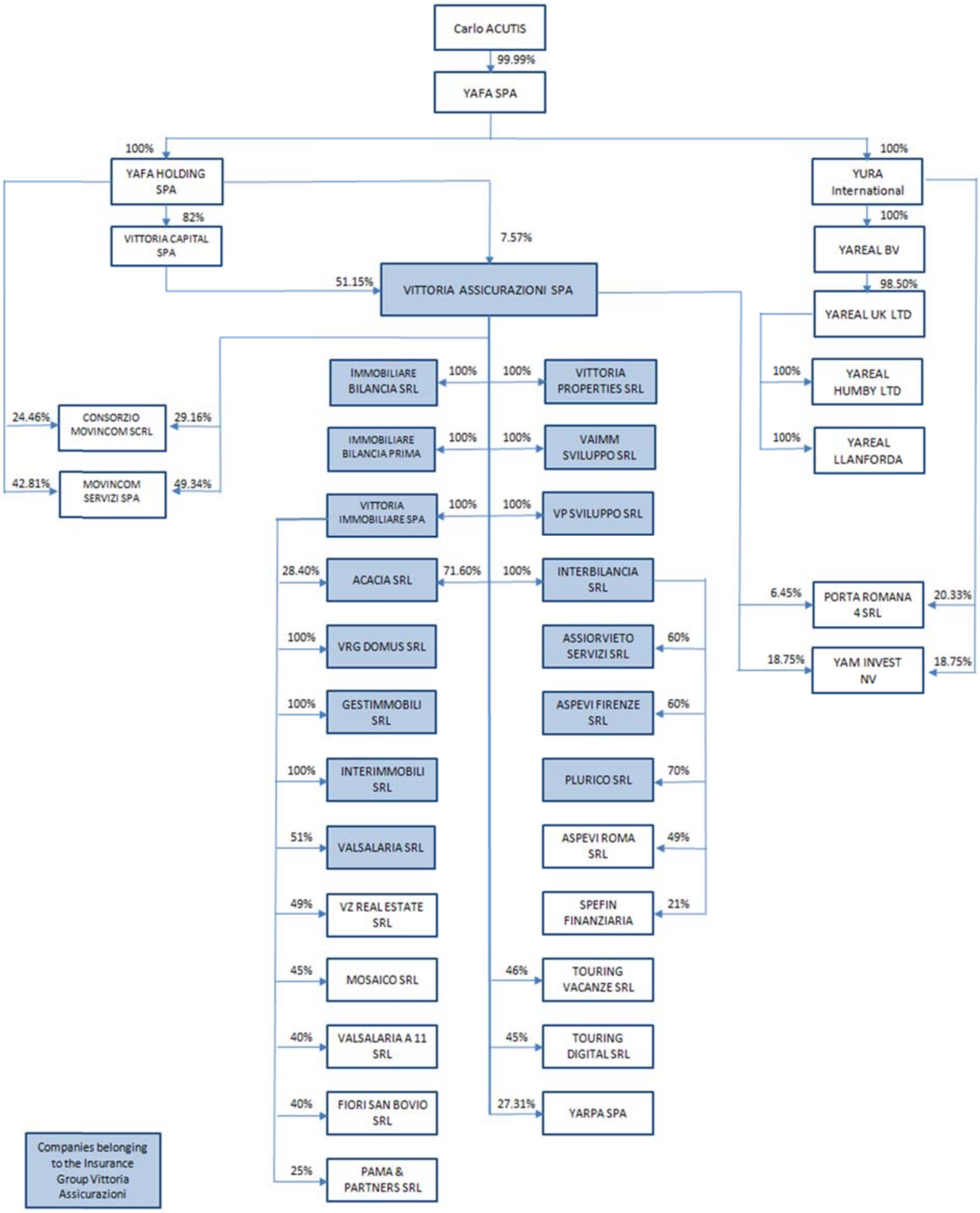
As at the date of this Report, qualifying holdings in Vittoria Assicurazioni S.p.A. are only held by Mr Carlo Acutis, through the following participations, held through the controlled company Yafa S.p.A.:

- Vittoria Capital S.p.A. 51.15%
- Yafa Holding S.p.A. 8.09%

A.1.5 Undertaking's position within the legal structure of the group

As at the date of this Report, Vittoria Assicurazioni is the Parent Company of the namesake Insurance Group, enrolled under no. 008 in the Register of Insurance Groups handled by the Insurance Regulator: as at 31 December 2016, the Group consisted of 15 subsidiaries, having their activities related to and supporting the insurance business, mainly in the real-estate and insurance distribution.
As a result of the amendments to the Legislative Decree no. 209 of 7 September 2005 (Code of Private Insurance Companies), by Legislative Decree no. 74/2015 transposing the Directive 2009/138/EC (Solvency II) and the entry-into-force of IVASS Regulation no. 22 of 1 June 2016 on the supervision of insurance groups, Yafa S.p.A., as the ultimate Italian parent company, has initiated a plan for the implementation of the organizational and structural adjustments needed to carry out the formalities required by abovementioned legislation and therefore to effectively become the parent company of the insurance group to which Vittoria Assicurazioni belongs.
The registration of Yafa S.p.A. in the parent company register provided for by art. 210-ter of the Code of Private Insurance Companies will be finalized in 2017.

The chart below shows the subsidiaries and associates of Yafa S.p.A. and Vittoria Assicurazioni as at 31 December 2016:



A.1.6 Main differences between the scope of consolidation considered for the consolidated financial statements drawn up in accordance with Article 95 of the Code and the scope of consolidation considered for the purposes of calculating group solvency

In the scope of consolidation for the purpose of calculating group solvency, none of the companies included in the scope of consolidation considered for the consolidated financial statements are included, since they do not include non-financial companies exercising, exclusively or predominantly, activities that are ancillary to the activities of the group, as defined by the IVASS Regulation no. 17/2016.

A.1.7 Undertaking's material lines of business and material geographical areas where it carries out its business

Vittoria Assicurazioni is an independent insurance company founded in Milan in 1921. The Company operates in all Life and Non-Life insurance segments on the whole national territory through a business network with over 400 Agencies. Through its subsidiaries, it conducts activities of trading and real-estate development, as well as insurance mediation, exclusively in Italy.

A.2 Underwriting performance

The table below provides information on the performance as at 31 December 2016, compared with data of the previous period.

(€/000)

Underwriting performance by line of business	Premiums written		Claims incurred		Changes in other technical provisions		Expenses	
	31/12/16	01/01/16	31/12/16	01/01/16	31/12/16	01/01/16	31/12/16	01/01/16
Direct Business								
Non-life								
Medical expense insurance	15,218	13,755	(6,304)	(6,013)	-	-	(5,120)	(4,802)
Income protection insurance	78,599	78,701	(29,299)	(27,053)	-	-	(29,001)	(26,870)
Motor vehicle liability insurance	638,959	643,945	(464,039)	(443,259)	-	-	(154,599)	(157,561)
Other motor insurance	113,457	106,489	(58,270)	(56,883)	(340)	(319)	(36,713)	(34,514)
Marine, aviation and transport insurance	3,402	3,387	(1,596)	(4,044)	(4)	(4)	(1,571)	(1,102)
Fire and other damage to property insurance	96,683	91,408	(48,962)	(49,511)	(222)	(211)	(37,073)	(33,990)
General liability insurance	52,519	50,277	(26,509)	(23,797)	-	-	(19,299)	(17,477)
Credit and suretyship insurance	5,156	7,494	(16,848)	(24,791)	-	-	(4,123)	(6,038)
Legal expenses insurance	4,872	4,626	(298)	(288)	-	-	(1,446)	(1,274)
Assistance	23,772	20,521	(6,138)	(5,433)	-	-	(9,547)	(8,087)
Miscellaneous financial loss	48,507	48,512	(1,511)	(1,045)	-	-	(14,279)	(13,455)
Total Non-life	1,081,145	1,069,114	(659,775)	(642,118)	(567)	(534)	(312,772)	(305,170)
Life								
Health insurance	912	1,433	(46)	(30)	-	-	(79)	(100)
Insurance with profit participation	172,709	194,356	(114,720)	(129,421)	-	-	(17,626)	(16,068)
Index-linked and unit- linked insurance	4,817	10,357	(6,804)	(13,056)	-	-	(122)	(143)
Other life insurance	11,031	12,180	(15,608)	(35,636)	-	-	(632)	(712)
Total Life	189,469	218,327	(137,178)	(178,143)	-	-	(18,460)	(17,024)
Total Direct Business	1,270,614	1,287,440	(796,953)	(820,261)	(567)	(534)	(331,232)	(322,194)
Reinsurers' share								
Non-life	(31,574)	(28,586)	17,654	25,772	-	-	4,452	4,747
Life	(1,182)	(1,209)	455	764	-	-	165	139
Total Reinsurers' share	(32,756)	(29,794)	18,109	26,536	-	-	4,617	4,885
Total Direct Business net of reinsurers' share	1,237,858	1,257,646	(778,844)	(793,725)	(567)	(534)	(326,615)	(317,309)

With reference to the Non-Life Business, the Company carries out accepted quota share reinsurance activity, whose performance as at 31 December 2016 is positive for 48 thousand euro (50 thousand euro as at 1 January 2016).

As at 31 December 2016, reinsurance bonds of Life Business showed a positive performance accounting for 30 thousand euro (8 thousand euro as at 1 January 2016).

The table below shows the geographical split of the premiums relating to direct business, detected according to the location of the agencies.

(€/000)

Regions	Agencies	Non-Life Business Premiums	%	Life Business Premiums	%
NORTH					
Emilia Romagna	34	87,481		12,299	
Friuli Venezia Giulia	5	9,083		1,886	
Liguria	15	46,786		3,669	
Lombardy	107	223,911		69,130	
Piedmont	49	89,076		10,563	
Trentino Alto Adige	8	11,223		1,171	
Valle d'Aosta	1	4,018		438	
Veneto	39	63,442		13,662	
Total North	258	535,020	49.5	112,818	59.5
CENTRE					
Abruzzo	12	51,196		7,591	
Lazio	29	107,240		16,067	
Marche	18	38,227		5,962	
Tuscany	50	114,573		13,300	
Umbria	15	50,208		7,705	
Total Centre	124	361,444	33.4	50,625	26.8
SOUTH AND ISLANDS					
Basilicata	4	9,318		666	
Calabria	2	3,492		55	
Campania	11	40,169		3,771	
Molise	2	5,414		611	
Puglia	6	27,261		17,008	
Sardinia	11	40,695		847	
Sicily	12	58,332		3,068	
Total South and islands	48	184,681	17.1	26,026	13.7
Total	430	1,081,145	100.0	189,469	100.0

A.3 Investment performance

The table below provides the total revenues, net of expenses, from investments held by the Company:

(€/000)

Investment performance	Total income 31/12/2016	Total cost 31/12/2016	Total net income 31/12/16	Total net income 01/01/16	Change
Investments (other than assets held for index-linked and unit-linked contracts)					
Property (other than for own use)	6,152	(6,067)	85	(873)	958
Holdings in related undertakings, including participations	283	(8,716)	(8,433)	(13,896)	5,463
Equities					
-Equities — listed	331	(3)	328	299	29
-Equities — unlisted	7,423	(5)	7,418	153	7,265
Bonds					
-Government Bonds	143,807	(25,169)	118,638	70,862	47,776
-Corporate Bonds	1,402	(318)	1,084	587	497
-Structured notes	158	(2)	156	156	0
Collective Investments Undertakings	1,830	(1,689)	141	432	(291)
Deposits other than cash equivalents	11	-	11	14	(3)
Total Investments (other than assets held for index-linked and unit-linked contracts)	161,397	(41,969)	119,428	57,734	61,694
Assets held for index-linked and unit-linked contracts	2,887	(3,074)	(187)	4,238	(4,425)
Total	164,284	(45,043)	119,241	61,972	57,269

Revenues refer to income relating to the period, such as coupons, dividends, gains on disposal or reimbursement, value re-adjustments and leasing instalments.
Costs refer to expenses that were directly and indirectly borne for the management of investments, expenses on disposal or reimbursement and value re-adjustments and the depreciation charge of real estate properties under lease.

Investment performance, showing a remarkable increase compared to 01/01/2016, benefited from capital gains accounting for 58,685 thousand euro, arising from the sale of Italian government bonds allocated to the Non-Life business, which took place in November 2016 and aimed at the diversification of the bond portfolio.
Profits from unlisted equity instruments are mainly referred to the re-assessment of the investment in the company Nuove Partecipazioni S.p.A. for 7,257 thousand euro.
Charges of the category Shares held in investee companies include write-downs for impairment losses of value in shareholdings in subsidiaries and associates for a total of 8,564 thousand euro.
Charges relating to UCTIS refer mainly to the adjustment for impairment losses of value of the investment in the closed-end investment fund Atlante for 1,623 thousand euro.

A.4 Performance from other activities

The Company carries out exclusively insurance business.

A.5 Other information

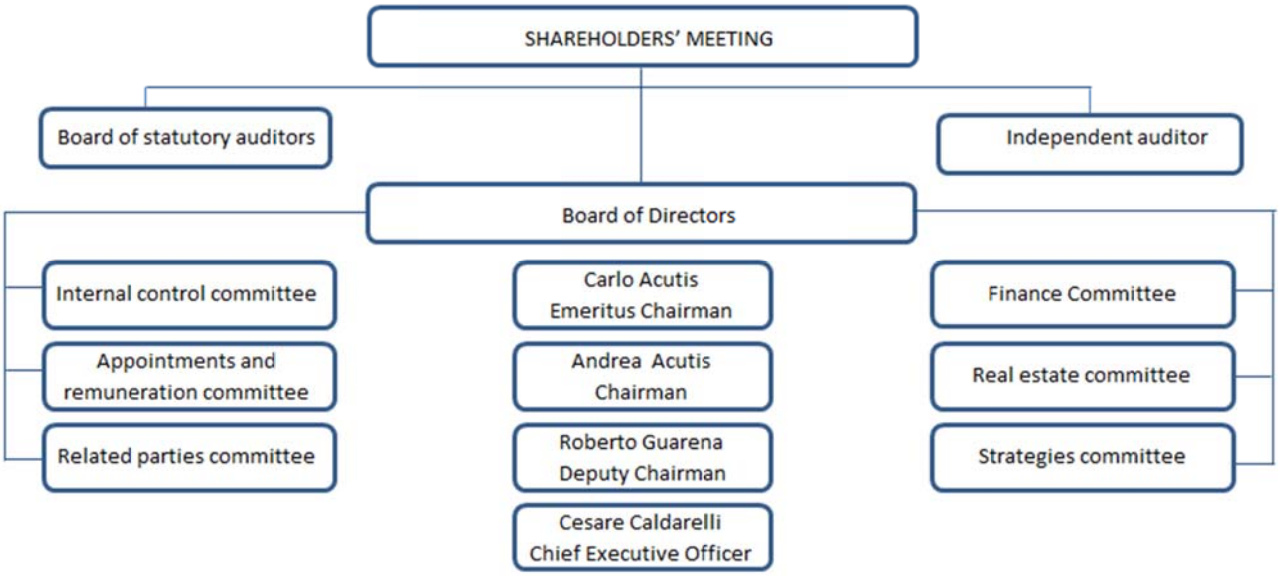
Nothing to be reported.

B. System of Governance

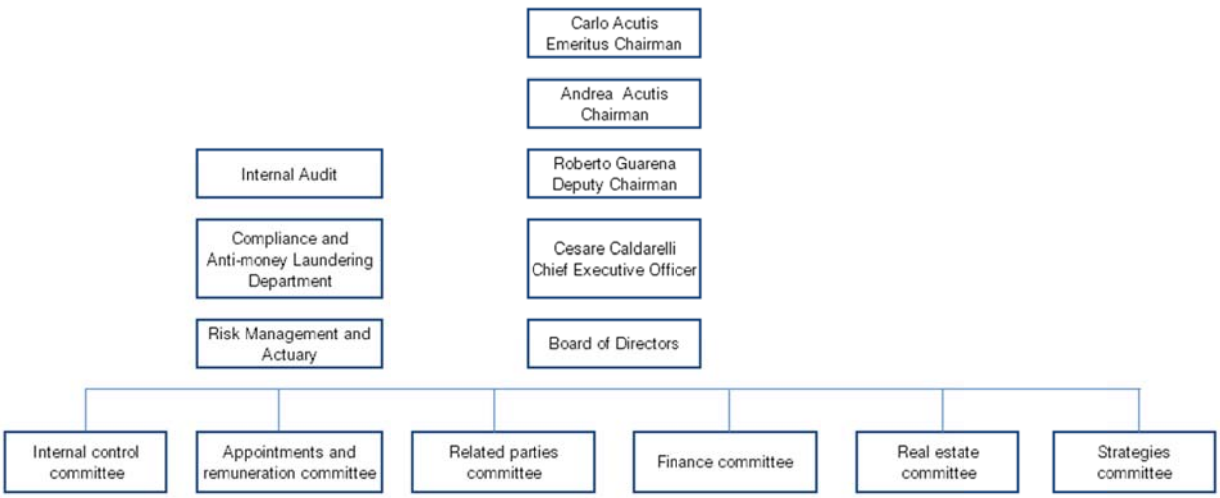
B.1 Overall information on the system of governance

Vittoria Assicurazioni management and control framework is based on the traditional pattern, which entails complete segregation between administrative functions, handled by the Board of Directors, and control functions, handled by the Board of Statutory Auditors. Both boards are appointed by the Shareholders' Meeting.
In its governance system, Vittoria Assicurazioni adheres to the principles envisaged by the Corporate Governance Code of listed Companies approved by the Corporate Governance Committee and promoted by Borsa Italiana.

GOVERNANCE STRUCTURE



ORGANIZATION CHART
(as at the date of approval of this Report)



B.1.1 Roles and responsibilities of the administrative, management or supervisory bodies and key functions

Structure of the Board of Directors

The Board of Directors in office was appointed by the Shareholders' Meeting held on 27 April 2016 for the FYs 2016, 2017 and 2018, hence till the date of the Meeting that will approve the financial statements as at 31 December 2018.
As at the date of this Report, the Board of Directors was as follows:

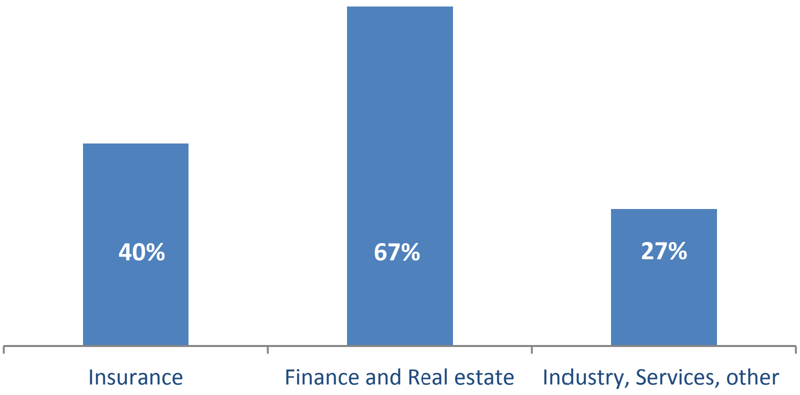
COMPOSITION OF THE BOARD OF DIRECTORS

Structure of the Board of Directors

		Exec.		Indep. TUF	Indep. Code	Control and Risk	Appoint. Remuner	Related Parties	Finance	Real Estate	Strateg.
ACUTIS Carlo	Emeritus Chairman		M						X	X	X
ACUTIS Andrea	Chairman		M						P	P	P
GUARENA Roberto	Deputy Chairman		M						X	X	X
CALDARELLI Cesare	Managing Director (*)	X	M						X	X	X
ACUTIS BISCARETTI di RUFFIA Adriana	Director		M						X	X	
BRIGNONE Marco	Director		M	X	X			X			
COSTA Giorgio	Director		M	X					X	X	
GUERRA SERAGNOLI Lorenza	Director		M	X	X						
MARSIAJ Giorgio	Director		M	X	X						
MASSARI Maria Antonella	Director		m	X	X		X				
MORENA Marzia	Director		M	X	X					X	
PASSERIN d'ENTREVES Lodovico	Director		M		X		P				
PAVERI FONTANA Luca	Director		M			X	X		X	X	
SPADAFORA Giuseppe	Director		M	X	X	P	X	X	X	X	X
URBAN Roberta	Director		M		X	X		P			X

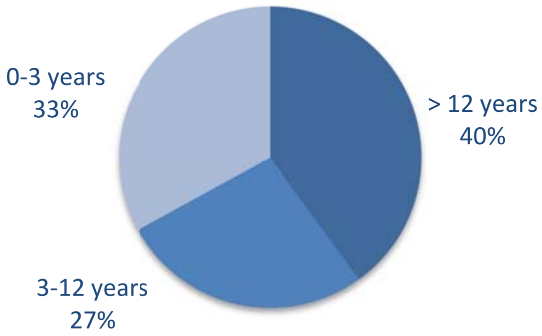
(*) Executive Director since 27 April 2016 and Managing Director since 15 March 2017
M/m: majority/minority
P: Chairman of the Commitee

Board members' professional background
All Board members have management or teaching experiences in the following sectors: insurance, finance and real estate, industry, services and other services



Board members' international experience

Years of service as Board members



Evolution compared to the previous term

	Previous term	Current term (*)
Number of Board members	16	14
Board members appointed by minority	1	1
Percentage of female Board members	25%	36%
Percentage of independent Board members	63%	50%
Average age of the Board members	63	61
Chairman status	Non executive	Non executive
Presence of a Lead Independent Director	Yes	Yes

(*) data as at 28/4/2017, after resignation of one director

The independence of the Directors is assessed according to criteria and principles envisaged by the Corporate Governance Code of listed companies approved by the Corporate Governance Committee and promoted by Borsa Italiana.

Functions of the Board of Directors

The functions of the Board of Directors are determined according to provisions under the By-Laws, as well as under applicable laws and regulations.
Pursuant to Article 14 of the By-Laws, the Board of Directors is vested with the broadest and unlimited powers for the ordinary and extraordinary management of the Company; all the necessary and opportune powers are conferred upon it for implementation and achievement of the corporate objectives that are not expressly reserved to the General Meeting.
The Board of Directors approves the Strategic Plan of the Company, determining targets on the basis of the macroeconomic and market outlook, supported by the activity of the Strategies Committee that was first established in April 2016. As at the date of this Report, the Board has approved the new Strategic Plan for the three-year period 2017- 2019.
The Board also approves the budget for the current year, and verifies realization thereof upon approval of financial statements for the period.
The Board is exclusively in charge of resolutions regarding the transactions which are strategically, economically or financially significant for the Company.
The Board is in charge of defining the corporate governance system and the structure of the group headed by the Company. To this end, it approves, on an annual basis, the organisational and functional chart of the Company, these being documents that identify and define the responsibilities related to the main corporate decision-making processes, together with the model of the delegations and powers defining the structure of the responsibilities assigned to operating units.
The Board has the ultimate responsibility of the internal control and risk management strategies, ensuring their continuous completeness, functionality and efficiency; in this respect, it ensures that the risk management system makes it possible to identify, assess, even on a forward-looking basis, and control the risks (reduction, mitigation and monitoring), including non-compliance with rules and regulations, while ensuring the company assets are safeguarded over the medium/long term. This role was further highlighted in the regulatory provisions issued by IVASS as a transposition of the European Solvency II Directive on governance systems and current/forward-looking risk assessment.
As required by law, the Board of Directors approves specific policies establishing the guidelines of the internal control and risk management system, with particular focus on the degrees of the Company's risk appetite.
The Board of Directors, also in accordance with provisions under the Corporate Governance Code, avails itself of the support of dedicated internal Committees, that have a fundamental role for the activity of the Board itself. They are responsible for carrying out preliminary fact-finding activity on specific matters reserved to the competence of the Board and provide support by formulating opinions and proposals. During each Board meeting, the Chairmen of the Committees provide information on the activities performed by said Committees.

Pursuant to Article 14 of the By-Laws, the Board of Directors appointed by the Shareholders' Meeting held on 27 April 2016 established six committees within the Board itself:

- Appointment and Remuneration Committee
- Control and Risk Committee
- Finance Committee
- Real Estate Committee
- Related-Party Committee
- Strategies Committee.

Structure and functions of the Control and Risk Committee

The members of the Committee have been selected by the Board based on their respective professional experiences, in compliance with the requirements provided for by the Corporate Governance Code.
The main role of the Control and Risk Committee is to provide support for assessments and decisions made by the Board of Directors concerning the guidelines and adequacy of the risk management and control system, in terms of effectiveness and efficiency.
In particular, in assisting the Board of Directors, the Committee:

- assesses, on a yearly basis, the adequacy of the internal control and risk management system with respect to the characteristics of the Company and with the assumed risk profile, as well as its effectiveness;
- reports to the Board of Directors on the work done and on the adequacy of the Internal Control System and Risk Management system;
- checks the updates of the RAF (Risk Appetite Framework), as well as the formalisation and distribution of related documentation;
- ensures the existence of adequate processes and systems to define risk appetite and for constant monitoring;
- checks formalisation of escalation processes to implement if risk appetite tolerance levels are not satisfied;
- monitors implementation of assessments, also under conditions of stress, on a set basis and with each event;
- checks execution of any corrective measures defined by the Board of Directors or Senior Management, in the case of deviation within or over tolerance thresholds, respectively;
- reviews the risk assessment and management policies;
- analyses the FLAOR/ORSA report on methods, processes and results of internal, current and forward-looking assessment of risks and solvency;
- reviews reports provided by the internal audit department for the Board describing the activities carried out and the outcome of audits performed to monitor adherence to the limits/parameters, also at quality level, set by the Board of Directors in relation to risk exposure.

In accordance with the Internal Audit Policy approved by the Board, the Committee provides the Board of Directors with its binding opinion on the appointment of the Head of Internal Audit and his/her remuneration. In addition, in accordance with Committee Regulation, it provides support to the Board of Directors in assessing the adequacy of resources given to the head of Internal Audit.

Structure and functions of the Appointment and Remuneration Committee

The members of the Committee were chosen from among the Board in accordance with the requirements provided for by the Corporate Governance Code.
As for the appointments, the Committee has the function of:

- formulating opinions to the Board of Directors with regard to the size and composition of the Board and of the Committees;
- making proposals for the organisation and functioning of the Board of Directors;
- making recommendations with respect to:
  (i) the professionals whose presence within the Board is deemed advisable;
  (ii) the maximum number of positions as director or statutory auditor in other companies listed on regulated markets (also abroad), in financial, banking, insurance companies or in companies of significant size, that would be compatible with the effective performance of a director's duties, taking into account the directors' participation in the committees within the Board of Directors of the Company;
  (iii) exemptions to the non-compete clause under Article 2390 of the Italian Civil Code.
- making proposals for the appointment of Directors;
- making proposals to the Board for co-opting Directors;
- making proposals to the Board for the appointment of the Chairman, Deputy Chairmen, Committee members, Managing Director and General Manager;
- making proposals to the Board, in agreement with the General Manager, for the appointment of senior managers;

- assisting the Chief Executive Officer in preparing career and replacement plans for the Company's Senior Management;
- carrying out the preliminary work for the preparation of the plan for the succession of the executive directors;
- carrying out checks as required by the Fit & Proper Policy approved by the Board of Directors;
- supporting the Board in the analysis of the results of the annual evaluation on the functioning of the Board and its Committees as well as on their size and composition;
- assisting the General Manager of the Parent Company in formulating proposals for the appointment of Directors, of the Chairman, Managing Director and General Manager of the subsidiary Companies;
- assisting the General Manager of the Parent Company in formulating proposals for the appointment of the Group Directors at the affiliated Companies.

With respect to remunerations, the Committee has the following functions:

- submitting proposals to the Board of Directors with regard to the definition of the policy for the remuneration of directors and senior managers with strategic responsibilities. In particular:

(i) making proposals or expressing opinions to the Board of Directors for the remuneration of executive directors, of Directors holding specific offices and of the General Manager, as well as for setting the performance targets related to the variable portion of said remuneration;

(ii) making proposals to the Board, as indicated by the General Manager, for setting the remuneration of the Senior Management of the Company in such a way as to attract and motivate high-calibre people;

(iii) checking the proportionality of the remuneration of the executive directors among them and compared to the company staff;

- verifying the enforcement of the Board of Directors' decisions on remuneration, monitoring also the actual attainment of performance targets;
- periodically evaluating the adequacy, overall consistency and concrete enforcement of the policy on the remuneration of directors and executives with strategic responsibilities, relying, in this last case, on the information provided by the General Manager, and formulating proposals on this matter.
- assisting the parent company's General Manager in developing proposals for determining the remuneration of the Directors, the Chairman, the Managing Director and the General Manager.

Structure and functions of the Related-Party Committee

The Related-Party Committee is assigned the tasks set forth by CONSOB Regulation no. 11721 and mentioned in the procedure for transactions with related parties, approved by the Board of Directors.
In particular, the Committee is responsible for conducting preliminary examinations of transactions with related parties submitted by the competent corporate departments and expressing opinions on their execution.
In the performance of its duties, the Committee may access Company information and functions required to carry out its tasks and make use of the services of external consultants, under the terms approved by the Board of Directorsi.

Structure and functions of the Finance Committee

In the performance of preliminary fact-finding and proposal-making, the Finance Committee provides support to the Board:

- defining policies and strategies for risk management, risk appetite and capital management;
- defining investment policies and strategies and supervising their implementation.

In defining the policies and strategies for risk management, the Committee:

- assists the Board in conducting periodic reviews and management (implementation, maintenance and monitoring) of the Risk Appetite Framework (RAF), i.e. the group of metrics, processes and systems to provide support in managing the level and type of risk the Company is willing to assume (risk appetite) according to its strategic objectives;
- provides support to the Board through consultations and proposals, defining management policies and risk assessment, including Capital Management Policies;
- provides support to the Board to define risk tolerance levels and for analysing the results of monitoring, with particular reference to investment activities, ALM and liquidity, subscription and reserve risks, both Damages and Life and risks related to the use of reinsurance;
- cooperates with Top Management and provides support to the Board of Directors in determining any corrective measures needed in the case of misalignment between actual risk exposure and risk appetite.

The Committee's tasks include:

- periodically submitting for review the securities portfolios whose risk is borne by the Company and those whose risk is borne by policyholders;
- periodically submitting for review the financial position of Group real estate companies, auditing their compliance with the exposure limits set by the Board of Directors;
- assessing the results of the assessment process of internal risk and solvency, both current and forward-looking (FLAOR/ORSA), also using stress tests;
- assisting the Board in developing the capital management plan and in defining monitoring processes and tools;
- determining any amendments to RAF in order to align the risk profile deriving from comprehensive risk objectives (risk appetite) of the Company.

Structure and functions of the Real-Estate Committee

The Committee has the following duties:

- supervising over the performance of the Group's real estate investments;
- defining development strategies for the business segment;
- assessing the investment proposals submitted by operating managers.

Members of Senior Management, the Risk Manager, the heads of Company operating departments and representatives of the Group real estate companies also attend Committee meetings.

Structure and functions of the Strategies Committee

The Committee supports the Board and Top Management by defining corporate objectives and strategies.
In particular, the Committee assists the Board and Top Management in following activities:

- identification of market evolution and related strategic challenges to be addressed; analysis of the different strategic options at disposal;

- definition of the multi-year strategic plans;
- development of the Key Performance Indicators and their monitoring.

Structure of the Board of Statutory Auditors

The Board of Statutory Auditors in office was appointed by the Shareholders' Meeting held on 27 April 2016 for the FYs 2016, 2017 and 2018, and hence till the date of the Meeting that will approve the financial statements as at 31 December 2018.

As at the date of this Report, the Board of Statutory Auditors was as follows :

Giuseppe CERATI	Chairman
Giovanni MARITANO	Standing statutory auditor
Francesca SANGIANI	Standing statutory auditor
Monica MANNINO	Substitute statutory auditor
Maria Filomena TROTTA	Substitute statutory auditor

Till the date of the Shareholders' Meeting held on 27 April 2016, the Board of Statutory Auditors consisted of: Alberto Giussani, Chairman; Giovanni Maritano and Francesca Sangiani, Standing Auditors, Michele Casò and Maria Filomena Trotta, Substitute Auditors.

Functions of the Board of Statutory Auditors

According to the Legislative Decree no. 39 of 27 January 2010, which assigned the boards of statutory auditors of companies of public interest the function of 'Control and Risk Committee and Statutory Audit', the functions assigned to the Board of Auditors and the Audit and Risk Committee of Vittoria Assicurazioni differ as follows:

- the Control and Risk Committee, established under the Code of Conduct, has preparatory and advisory duties to the Board of Directors;

the Statutory Auditors are assigned the functions under Legislative Decree 39/2010, which supplement those already assigned to that organ, and remain control functions. The Board of Auditors holds no functions of management, co-management or management control.
Pursuant to Article 149 of the TUF, the Board of Statutory Auditors oversees:

- observance of the law and the Company's By-laws;
- compliance with the principles of correct administration;
- the adequacy of the organisational structure of company in terms of competency, the internal control system and the administrative accounting system, as well as the reliability of the latter in providing a fair representation of operations;
- the procedures used for effective implementation of the corporate governance rules set out in the Corporate Governance Code adopted by the Company;
- the adequacy of the directives issued by the Company to its subsidiaries to ensure respect for the disclosure obligations prescribed by the TUF.

Pursuant to Article 19 of Legislative Decree no. 39 of 27 January 2010, the Board of Statutory Auditors also oversees:

- the financial disclosure process;
- the efficiency of the systems of internal control, internal audit, where applicable, and risk management;
- the statutory auditing of the separate and consolidated accounts;
- the independence of the company engaged to carry out the statutory audit of the accounts, verifying both compliance with the legislative provisions in this regard and the nature and extent of the various statutory auditing services provided to the Company and its subsidiaries by the auditing company and by the entities in its network.

In carrying out these duties, the Board of Statutory Auditors:

- verifies that the definition of the delegations of authority is appropriate and that the organisation structure is adequate, paying particular attention to the division of responsibility for duties and functions;

- attends meetings of the Internal Control Committee, during which it meets the heads of the departments responsible for the internal control system, i.e. Internal Audit, Compliance and Risk Management;
- assesses the efficiency and effectiveness of the internal control system, especially with regard to the operations of the Internal Audit, verifying that the department has the necessary autonomy, independence and functional efficiency;
- regularly exchanges information and data with the independent auditing company;
- ensures the prompt exchange of data and information material to discharging its duties between the boards of statutory auditors of Group companies through the presence of one of its members on the boards of statutory auditors of these subsidiaries.

Pursuant to the Corporate Governance Code adopted by the Company, the Board of Statutory Auditors:

- verifies the independence of its members at the first opportunity after their appointment;
- verifies that its members continue to satisfy the independence requirement during the course of the financial year;
- applies all the principles set out in the Code adopted by Vittoria Assicurazioni with regard to the independence of directors when conducting these reviews. As per the criteria applied for directors, the maximum limit of nine years is not considered.

In conducting its activities, the Board of Statutory Auditors coordinates with the Internal Audit Function and with the Control and Risk Committee by participating in all their meetings.

Auditor

On 20 April 2012, the Shareholders' Meeting appointed Deloitte & Touche S.p.A. as independent auditor for 2012 – 2020.

Senior Management

Senior Management means all Executives with strategic responsibilities. In Vittoria Assicurazioni S.p.A. the roles of Managing Director, General Manager, Co-General Manager, Deputy General Manager and Central Manager are included in this category.
Executives belonging to the Senior Management participate to the discussion of the fundamental choices of the company, that are subject to the Board of Directors, and ensures implementation of the guidelines and policies through the operational departments.
Senior Management is vested with the broadest executive powers, consistent with the model of powers and delegations adopted.
Senior Management performs the activities related to the development, management and control of the risk management system on a continuing basis. In addition, as part of their duties under the strategic and organisation guidelines, Senior Management ensures implementation and improvement of policies to assume, assess and manage risks as approved by the Board as well as implementing company processes formalised by organisation documents. Furthermore, it checks operational limits are respected as well as risk exposure and respect for tolerance levels.
Senior Management ensures that information on the degree of efficiency and effectiveness of the risk management system is regularly disseminated to the Board and that information flows are maintained especially in the event of any significant problems.

As at this Report, the Company's Senior Management is as follows:

- the Managing Director;
- the Co-General Manager (Life, Commercial and Marketing);
- the Deputy General Manager (Services and Real-Estate);
- the Deputy General Manager (Non-Life);
- the Central Manager (Administration, Finance, Planning and Control);
- the Central Manager (Claims);
- the Central Manager (Commercial Department);
- the Central Manager (IT Systems).

Primary Functions

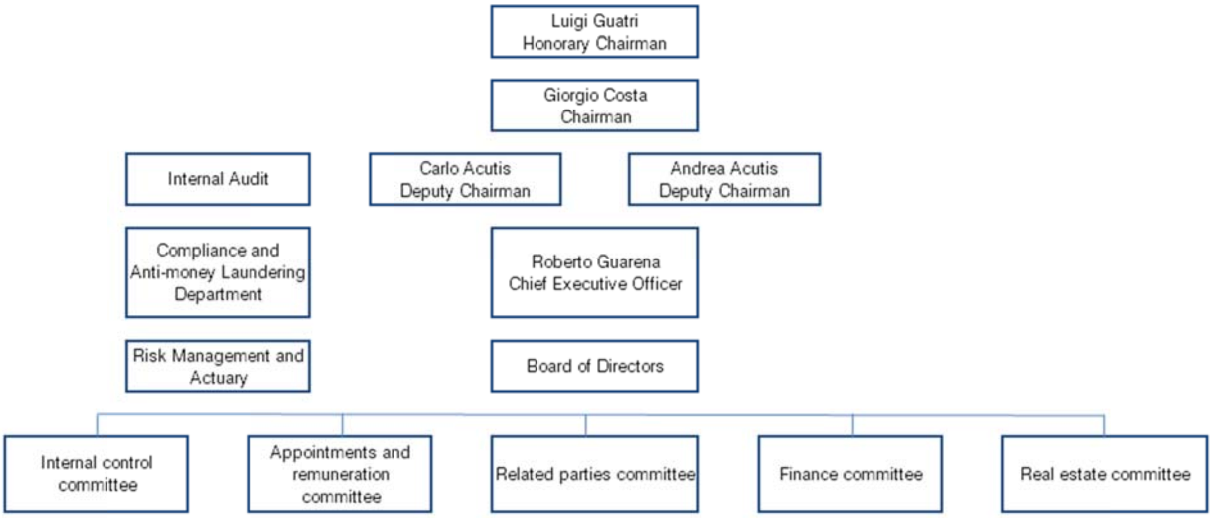
The primary company functions, identified under Article 42 of Solvency II Directive, are Internal Audit, Compliance, Risk Management and the Actuarial Function.
In order to ensure that the four control departments have autonomy and independence, the Heads are appointed by the Board of Directors after receiving a favourable opinion from the Control and Risk Committee and the opinion of the Board of Statutory Auditors.
The Heads of the four departments shall have the necessary requirements of integrity and professionalism, which are identified and defined in the Policy for assessing appointment requirements approved by the Board. With the support of the Appointment and Remuneration Committee, the Board ensures the requirements are in place at the time of appointment and verifies them on a yearly basis.
The Risk Management Policy and the specific policies on the control functions mentioned above define the relationships, collaboration and exchange of information between the functions.
In particular, relations between the II and III level functions are structured on the following three levels:

a) level one entails periodic meetings;
b) level two entails formal exchange of information;
c) level three entails the participation of members of the control bodies.

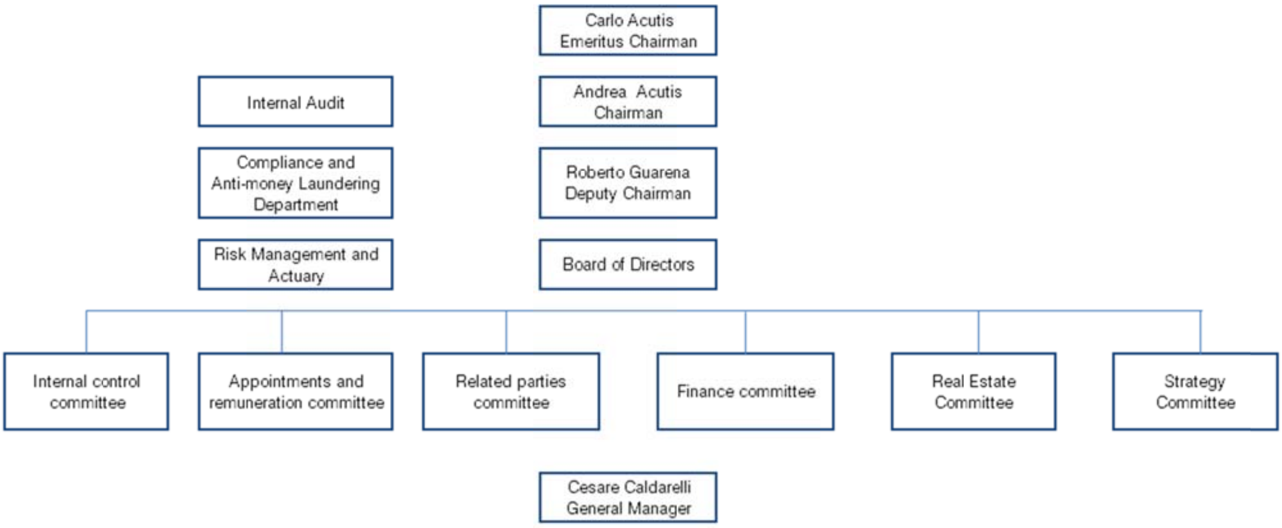
B.1.2 Significant changes to the governance system introduced in the reference period

Changes occurred in aforementioned structure during 2016 are summed up in the following charts:

Organization Chart as at 1 January 2016



Organization Chart as at 27 April 2016



From 1 January 2016 till the Shareholders' Meeting held on 27 April 2016, the Board of Directors was made up of following 16 Directors: Giorgio Roberto Costa, Chairman; Andrea Acutis and Carlo Acutis, Deputy Chairmen; Roberto Guarena, Managing Director; Adriana Acutis Biscaretti di Ruffia, Francesco Baggi Sisini, Marco Brignone, Fulvia Ferragamo Visconti, Bernd Gierl, Lorenza Guerra Seràgnoli, Pietro Carlo Marsani, Giorgio Marsiaj, Lodovico Passerin d'Entrèves, Luca Paveri Fontana, Giuseppe Spadafora and Anna Strazzera, Directors.

The Board of Directors, which met at the end of the Shareholders' Meeting held on 27 April 2016, conferred executive powers to the Director Mr Cesare Caldarelli, in his capacity as General Manager of the Company, as well as deputy powers, to be exercised in cases of urgency and need, to the Deputy Chairman Roberto Guarena.

On 15 March 2017 Mr Cesare Caldarelli was appointed as Managing Director. On the same date, the Board, given the new organization of the Company's Senior Management whereby, with effect from 1 January 2017, there are a Co-General Manager and two Deputy General Managers reporting to Mr Caldarelli, approved the guidelines of the new system of delegations, by providing for higher executive powers delegated to aforementioned members of Senior Management, with the mechanism of the joint signature for more relevant acts, within the powers conferred to the Managing Director. Deputy powers conferred to the Deputy Chairman were therefore revoked.

B.1.3 Information on the remuneration policy and practices

Principles of the Remuneration Policy

Vittoria Assicurazioni S.p.A. has always had a remuneration policy oriented to a sound and prudent risk management and in line with the strategic objectives of the Company's ongoing balanced growth, profitability and prominent position in the domestic insurance.

The primary objective of the remuneration policy implemented by Vittoria Assicurazioni S.p.A. is to ensure an adequate remuneration to attract, motivate and retain resources with the professional qualities required to successfully pursue the Company's or the Group's goals, which mainly strive to achieve continual excellent results in the attainment of its corporate purpose, and as a result, to create value for shareholders and safeguard company assets over the long term.

The Company's remuneration policy does not provide for incentives aimed at risk-taking that could conflict with the above objectives.

For both senior positions and all staff, the determination of remuneration is based on responsibilities assigned to the individual concerned, the position held, the individual's skills and the reference market, in accordance with fairness principles.

Relevance of fixed and variable remuneration components

<u>Non-executive Directors</u>

The Ordinary Shareholders' Meeting sets the remuneration for each financial year, in order to remunerate the Directors for their participation in the Committees and for the specific tasks assigned within these Committees. As provided by Article 15 of the By-Laws, this amount does not include compensation for Directors with specific duties.

No incentive-based remuneration systems are contemplated for Non-executive Directors that do not hold corporate offices.

<u>Control Bodies</u>

The Ordinary Shareholders' Meeting sets the gross annual compensation of the Board of Statutory Auditors and the members of the Company's Supervisory Body established pursuant to the Legislative Decree no. 231/2011.

There is no provision for lump-sum reimbursements or attendance fees for attending Board and committee meetings.

No incentive-based remuneration systems are contemplated for members of the control bodies.

<u>Managing Director, Senior Managers and other Managers</u>

The Company considers it appropriate to determine management compensation in such a way as to ensure that the fixed component of compensation is, in all cases, sufficient to remunerate the service performed regardless of the achievement of objectives that entitle the individual to receive a variable remuneration portion as calculated below, ensuring a proper balance between the fixed and variable components.

The fixed remuneration is proportional to the role held and the responsibilities assigned, also considering the experience and skills required, as well as the quality of contribution in the attainment of business results.

The variable remuneration is tied to the achievement of business objectives with a direct link between incentives and objectives of the Company, the department and, not least, the individual objectives, in terms of quality and quantity.

The weighting of the variable remuneration component differs based on the possibility to directly affect the outcomes of the Company and the impact that the individual role has on the business.

The variable remuneration is made up of two parts::

- A short-term incentive ("STI"), acknowledged by a monetary bonus payout and subject to the achievement of qualitative and quantitative performance indicators contained in an individual scorecard, and
- A long-term incentive ("LTI"), acknowledged by the assignment of financial instruments, such as Performance Units, solely provided for the Managing Director, the General Manager, the Co-General Manager and the Deputy General Managers.

All incentive systems adopted by the Company provide for the achievement of a common formalized risk-adjusted objective of corporate performance (gate access to the variable remuneration system).

Non-management Personnel

In order to enable the non-management personnel to achieve the objectives of the Company, incentive systems have been structured so that resources may access a variable compensation.

All incentive systems adopted by the Company provide for the achievement of a common formalized risk-adjusted objective of corporate performance(gate access to the variable remuneration system), which is the same one used to determine the variable part of the remuneration of the Managing Director, the General Manager, the Senior Managers and other Managers.

Information on the individual and collective performance criteria on which any entitlement to share options, shares or variable components of remuneration is based

There are no individual and collective performance criteria on which any entitlement to share options, shares or variable components in addition to those indicated under paragraphs: "Principles of the remuneration policy" and "Relevance of fixed and variable remuneration components".

Description of the main features of the supplementary pension or early retirement schemes for the members of the administrative, management or supervisory body and for holders of other key functions

Members of the Senior Management and the Company's Managers are recipients of a supplementary pension plan provided for by the National Regulatory and Financial Agreement for insurance companies executives, accounting for 13% of the contractual remuneration minimum, supplemented by a further 3%.

No supplementary pension schemes are provided for the members of the administrative, management and supervisory bodies.

No early retirement schemes are provided for the members of the administrative, management or supervisory bodies, as well as for holders of other key functions.

B.1.4 Information about material transactions performed during the reporting period with the shareholders, with persons who exercise a significant influence on the undertaking and with the members of the administrative, management or supervisory bodies.

No material transactions were performed during the reporting period with the shareholders, with the persons who exercise a significant influence on the undertaking and with the members of the administrative, management or supervisory bodies.

B.2 Fit and proper requirements

The Board of Directors of Vittoria Assicurazioni S.p.A. has approved the Fit & Proper Policy to ensure that all persons who effectively run the undertaking or have other key functions have the professional qualifications, and proper knowledge and experiences for a sound and prudent management, as well as a good reputation and integrity.

To this end, the Policy:
- defines roles and responsibilities of parties involved in the process for the evaluation of the fit & proper requirements;
- identifies situations that entails forfeiture, suspension or any revocation of the office held inside the Company;
- provides for a periodic verification aimed at checking that the fit & proper requirements are maintained over time;
- identifies the events that require new assessments of the requirements of eligibility to the office held inside the Company;
- identifies the other relevant collaborators that are not subject to said requirements, but for which the Company considers nonetheless to make some assessment in terms of professionalism and integrity, establishing the fit & proper requirements.

The Policy outlines the principles for the assessment of the fit & proper requirements of the following persons:

(i) Company bodies with administrative, management and control functions:
   - members of the Board of Directors;
   - members of the Board of the Statutory Auditors;
   - the General Manager.

(ii) Key functions included in the governance system, identified as Internal Control Functions: Internal Audit Function, Compliance Function, Risk Management Function, Actuarial Function and Anti-Money Laundering Function;

(iii) The Manager responsible for preparing the financial reports (hereinafter "Financial Reporting Officer") and other relevant collaborators, such as the other executives with strategic responsibilities and hence the Co-General Managers, the Deputy General Managers and the Central Managers;

(iv) Administrative and control bodies of the subsidiaries.

These persons are required to have the fit & proper requirements in terms of integrity, professionalism and, where required by law, of independence.

Requirements of the administrative, control and management bodies

For the proper performance of their tasks, it is necessary that the persons responsible for the administrative, management and control functions are fully aware of the powers and obligations relating to the task assigned to them.
Furthermore, they must have the requirements provided for by the primary, secondary and industry regulation pro tempore in force, as well as the requirements under the Corporate Governance Code.
In particular, the Company is subject to:

- the sector-specific regulations setting forth the requirements of professionalism, integrity and independence of individuals who perform functions of administration, management and control in companies operating in the insurance industry. Such regulations also lay down situations that do not allow covering these roles, as well as the causes for suspension or removal;

- primary rules common to all bodies that issue financial instruments;

Moreover, Vittoria Assicurazioni S.p.A., that since November 2001 joined the STAR Segment of the MTA, the electronic stock market, managed by Borsa Italiana, has adopted the self-regulation provided for by the Corporate Governance Code approved by the relevant Committee promoted by Borsa Italiana. Therefore, the Company is also subject to the principles and application criteria of the Corporate Governance Code, as adopted by the Company, in relation to composition and features of the Board of Directors, which provide criteria to identify the directors that are entitled to be appointed inside some of the Board Committees (Risk and Control Committee and Appointment and Remuneration Committee).

To ensure the adequate composition of the Board of Directors pursuant to requirements provided for by industry regulations, the Board Directors of the Company shall be identified:

(i) taking into account the need to ensure the presence of persons:
  - having professional expertise commensurate to the office they are going to fill;
  - with wide-ranging and properly diversified skills;
  - that can dedicate adequate time and resources to the performance of their duties.

(ii) ensuring the best efficiency and effectiveness of the Board of Directors through:
  - A size commensurate to the structure and complexity of the Company in its economical, asset, organizational and operational position;
  - A number of individuals having theoretical/managerial competence and experience that are adequate and diversified in relation to operational and dimensional features of the activities to be performed, as well as of the risks to be taken, and having full autonomy and independence in judgement;
  - An adequate number of independent Directors, with particular focus to the combined provisions under Article 2.2.3 of Borsa Regulation and Article IA.2.10.6, requiring that at least 4 Directors have the requirements of independence as under the application criterion 3.C.1 of the Corporate Governance Code. The number and competencies of the independent Directors shall be such as to enable the establishment of committees according to provisions under the Corporate Governance Code;
  - Assessment and weighing of commitments arising from other activities and external tasks so that Directors have adequate time to knowledgeably and duly perform the corporate duties. To this end, the opinion expressed by the Board of Directors in compliance with application criterion 1.C.3 of the Corporate Governance Code, in relation to the maximum number of directorships or auditorships that may be considered compatible with an efficient performance of a directorship in the Company, will also be taken into account.

In order to ensure that the company is managed and controlled in a professional way and provide an adequate diversification of qualifications, knowledge and experiences, with reference to the professionalism of the Board members, the Board of Directors should be made up of persons that, collectively, have adequate qualifications, experiences and knowledge in:

- financial and insurance markets, in terms of understanding and awareness of the economic environment and market in which the Company operates;
- business strategy and business model, in terms of understanding of the strategy and business model of the Company;
- governance systems, in terms of understanding and awareness of the risks which the Company is exposed to and ability to tackle them. Within this competence there is also the ability to assess the efficiency of the governance system, supervision and control of the business;
- actuarial and financial analyses, in terms of ability to interpret actuarial and financial information of the Company, identify main problems, implement adequate checks and adopt the measures needed based on these information;
- regulatory and self-regulatory framework, in terms of understanding and awareness of the regulatory framework under which the Company operates, both in relation to regulatory requirements and the ability to promptly adjust to new rules and regulations.

This assessment, along with the verification of the requirements of independence provided for by the Corporate Governance Code, is also aimed at identifying the directors that are suitable to be appointed for Board Committees.

Key functions, Financial Reporting Officer and other relevant collaborators

The managers of the key functions shall have suitably extensive knowledge and experiences and properly high skills to hold related office and ensure its efficiency. Particularly, the managers must have a curriculum with studies relating, preferably, to the following subjects: law, economics, mathematics, statistics. Furthermore, they must have accrued working experience inside an organization whose business is linked to insurance, finance or related activities. Accrued activity means the working experience in auditing/valuation, such as External Auditing, Quality Certification, Claims Adjustment Department, Compliance, Internal Audit, Organization.
Personnel in charge of the Key Functions must have adequate skills and professionalism for the performance of the activities supporting the activity carried out by the function. The necessary professional experience can be, inter alia, acquired in operational positions, in other Control Functions or legal and/or regulatory functions and through participation to training.
With reference to other relevant collaborators, these are required to have accrued a management experience inside a company operating in the insurance or financial sector or to have held similar positions of responsibility in companies that are as complex as Vittoria.
The Managers of the key Functions and the other collaborators must have the fit & proper requirements provide for the members of the administrative and control bodies.
Finally, the Financial Reporting Officer is required to have, besides the fit & proper requirements prescribed by current regulations, the requirements of professionalism characterized by specific competence on administration and accounting acquired through working experiences in a position of adequate responsibility over a suitable period of time.

Administration and control bodies of the subsidiaries

Persons holding administration and control positions in the companies of the Group must have suitable requirements of integrity and professionalism.
For the requirements of integrity, reference is made to the requirements provided for relevant collaborators of the Company.
Professionalism is assessed with reference to the activity performed by the subsidiary where the person is called upon to hold the office. Competence and theoretical, professional and management experience is required in the specific sector of activity or in administration or management.

Assessment upon appointment
The assessment of eligibility is mainly based on proper documentation provided by the persons involved, as well as on any other information available to the Company.
In particular, following documents are required:

- statement that the requirements of integrity are met and there are no impediments to the appointment to the office according to the different applicable regulations in relation to the office held;
- curriculum vitae, including all administration and control offices held and, where applicable, certifying that requirements of professionalism provided for by the different applicable regulations are met;
- if required in relation to the function to be held, statement made by the person concerned certifying that conditions to qualify as independent pursuant to the Corporate Governance Code are met.

The evaluation of the eligibility requirements, in accordance with the current regulation, of persons in charge of the administration, management and control functions, as well as of the Managers of the Key Functions and the Financial Reporting Officer falls within the competence of the Board of Directors, after preliminary fact-finding activity by the Appointment and Remuneration Committee, established pursuant to the Corporate Governance Code and made up of mostly independent Directors.
Eligibility of requirements provided for the other relevant collaborators and for persons holding administrative and control offices in the companies controlled by the Company is subject to the assessment by the Appointment and Remuneration Committee.

Results of the evaluations are also submitted to the verification of the Risk and Control Committee and/or Board of Statutory Auditors every time that these bodies, pursuant to current regulations, are required to express an opinion on appointments of company offices (i.e. in case of appointment of managers of the Key Functions).

Furthermore, the Board of Statutory Auditors checks that:

- criteria and procedures of assessment adopted by the Board of Directors to evaluate the independence of its members are properly applied;
- its members meet the requirements of independence provided for by the Corporate Governance Code by submitting the outcome of these checks to the Board of Directors.

The assessment of the requirements relating to members of Board of Directors and Board of Statutory Auditors is performed within 30 days from the appointment.
The same checks are carried out by the Board of Directors upon appointment of the General Manager.

The assessment of the fit and proper requirement of the Financial Reporting Officer and the managers of the Key Functions is performed, after preliminary fact-finding activity by the Appointment and Remuneration Committee, on the occasion of their appointments.
The assessment of the professionalism requirement of the Key Function staff is the responsibility of the Human Resource Department and the Manager of the Key Functions.
The assessment of the fit and proper requirements of the other relevant collaborators is performed by the Appointment and Remuneration Committee on the occasion of their appointment.
The assessment of the fit and proper requirements of the members of the administration and control bodies of the Group's companies is performed by the Appointment and Remuneration Committee on the occasion of their appointment.
The assessment of the professionalism requirement of the persons involved is carried out by evaluating the professional qualifications, knowledge and experience concerning the insurance industry, other financial sectors or other fields.
The assessment of the integrity requirement of the persons involved is performed in compliance with applicable rules and regulations.

Periodic verification

At least once per calendar year, the Board of Directors, after preliminary fact-finding activities by the Appointment and Remuneration Committee, renews the evaluation aimed at checking that the fit & proper requirements are maintained over time, both for persons in charge of administration, management and control functions, and for the Managers of the Key Functions and the Financial Reporting Officer, even if already assessed upon appointment.
All persons involved are required to promptly notify any non-fulfillment of the fit & proper requirements and any changes to the requirements they have declared.
In particular, those that are found in situations that entail forfeiture or suspension of the office or have been prosecuted for offences that may impact on maintenance of the integrity requirement notify promptly these circumstances to the Board of Directors.
The Board of Directors, after preliminary fact-finding activity by the Appointment and Remuneration Committee, evaluates the communications relating to these changes and any supporting documentation submitted within thirty days from their receipt. Moreover, the Appointment and Remuneration Committee checks whether the requirements provided for the other relevant collaborators are maintained over time.

B.3 Risk management system, including the own risk and solvency assessment (ORSA)

B.3.1 Overview of the risk management system

The risk management system is the set of rules, processes, resources (human, technological and organizational), and the tools used to support the Company's risk management strategy and allows an adequate understanding of the nature and significance of the risks to which the Company is exposed.

The risk management system allows the Company to have a single point of view and a holistic approach to risk management as a part of the running of business.

The structure of the risk management system entails that the essential guidelines be set forth in the "Risk Management Policy", the principles of which are provided in the additional specific policies.

The system is supplemented by following documents:

- Risk Appetite (RA): RA is the group of metrics, processes and systems to provide support in managing the level and type of risk the Company is willing to assume according to its strategic objectives.

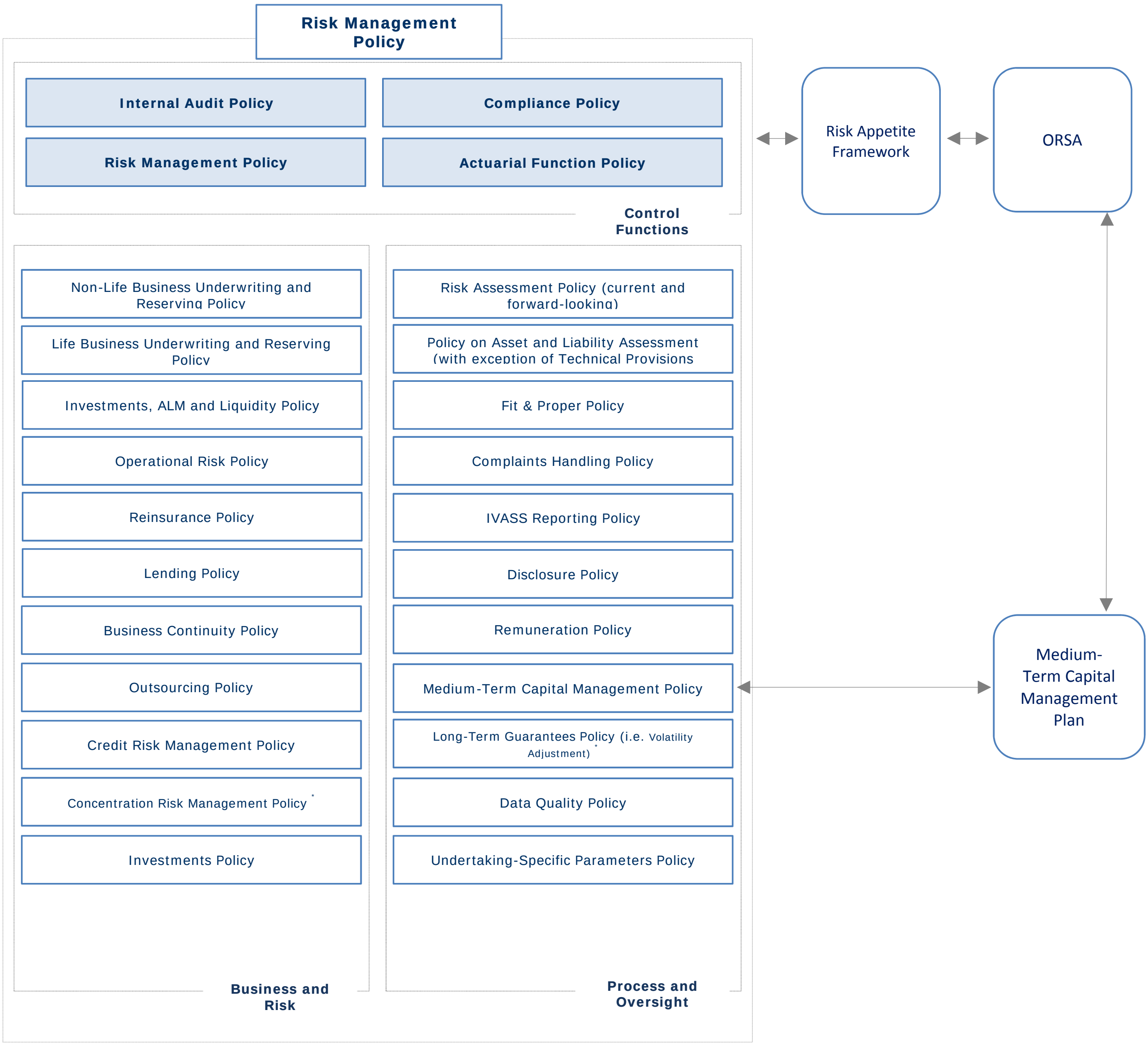
  Risk appetite was defined on the basis of three dimensions, Capital, Value and Profit, resulting in proper key indicators actually used by the Company;

- Own Risk and Solvency Assessment ORSA: internal assessment process for risks and solvency, also on a forward-looking basis, consisting of a group of analysis, decision-making and strategic processes and methods used to assess capital needs and availability of assets on a constant and forward-looking basis. This framework is linked to the Company-specific profile and risk appetite.

The entire system includes the policies of the primary control functions at second and third level, i.e., Compliance, Risk Management and Actuarial and Internal Audit.

The entire system is reviewed, on a yearly basis, by the Board of Directors, with the support of the Control and Risk Committee and Finance Committee. The governance policies set forth in the guidelines gives the Committees an essential role in supporting the Board for information and control.

The system is briefly outlined in the chart below:



* *Integral part of the Risk Management Policy.*

Each Policy outlines the purpose of the guideline, the scope of application, roles and responsibilities in related processes, implementation processes and procedures for coordination between all parties involved.

The detailed policies allow to apply, consistently, the approach and methodology for the management of:

- Specific risk categories (i.e. market risks linked to investments);
- Risks within specific processes (i.e. underwriting risks);
- Risk mitigation techniques (i.e. reinsurance);
- Methods to measure individual risk factors, their correlations and the underlying principles (i.e. risk assessment etc.);
- Monitoring and analysis methods (indicators of risk/performance, stress tests, etc.)

Such risk management policies are defined and implemented with reference to the integrated view of assets and liabilities, whereas the development of techniques and asset-liability management models is crucial for the proper understanding and management of risk exposures that may result from the interrelations and the mismatch between assets and liabilities.

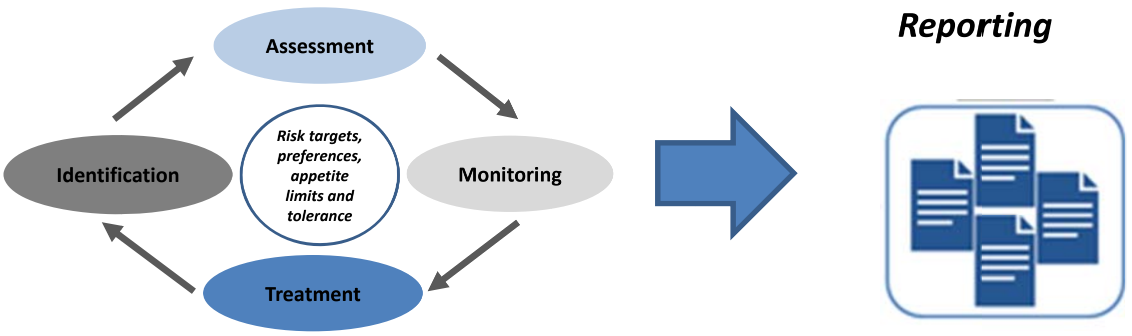
The processes of risk identification and assessment are performed on an ongoing basis, in order to consider both the changes to the nature and size of the business and market environment, and in the occurrence of new risks or change to the existing ones.

The Company has adopted a structured model of risk objectives, which consists of differentiated methods and tolerance thresholds for each relevant risk category in compliance with the risk appetite approved by the Company's Board of Directors, focusing on risk areas. In particular, the Company's risk appetite is involved in a structured process that ensures that instructions on the risk appetite and risk preferences are defined, disclosed and monitored.

B.3.2 Risk management process

The risk management process of the Company allows to detect, measure, monito and possibly mitigate risk and consists of the following stages:

- Risk identification;
- Assessment of exposure to risks;
- Risk monitoring;
- Risk treatment.



1. Risk identification

The process of identification consists of identifying and mapping the risks to which the Company is exposed to, as well as the emerging risks.

The identification phase is performed with particular focus on the risks that are deemed as significant by the Board of Directors.

Risks are identified by the different company functions through:

- Structured analyses of environment, both external (i.e. regulatory framework) and internal (i.e. launch of new products, entering new markets, investment process, strategic planning, capital allocation etc.);
- Analyses of underlying activities relating to macro processes and processes according to functions and responsibilities, as defined in the company organization and function chart.

Analyses are directly carried out or supervised by the functions Risk Management, Actuarial Function, Compliance and Anti-money Laundering, each for the their specific area of competence.

2. Risk assessment

The assessment phase is aimed at measuring risks through quantitative methods, where it is possible, and/or qualitative methods. The quantitative measuring of risks is performed using several procedures, which are used to determine both the present situation both the medium to long-term situation.

Furthermore, in order to assess its vulnerability to extreme but plausible events, the Group makes use of specific quantitative techniques. In particular the stress tests allows to assess the effects on economic and financial conditions arising from specific events or from changes in a set of economic, financial and insurance variables in the event of adverse scenarios.

The quantitative methods and techniques are formalized in the dedicated risk assessment policy (current and forward-looking) where processes, roles and responsibilities adopted for the assessment are also outlined.

The quantitative techniques used by the Company determine the risk profile or the risk measure actually taken and detected at a given time instant. Any deviation from the level of risk appetite is monitored, as described in the following paragraph.

Moreover, the Company determines through quantitative measurement techniques the Solvency Capital, being the amount of equity that the parent company must hold, for regulatory and capital soundness purposes, to cover risks arising from the business.

3. Risk monitoring

The monitoring is based on controlling, on an ongoing basis, exposure to different types of risk and involves verification of:

- Compliance with the principles/guidelines defined in the policies;
- Compliance with risk and operational limits for specific risk categories;
- Trend indicators such as those of capital, value and liquidity.

Limits and indicators allow to measure the level of achievement of objectives in terms of business and risk. In particular, in checking the alignment between the profile detected and the risk appetite, also any tolerance thresholds are taken into account (maximum deviation from risk appetite).

The risk monitoring process is structured into three phases:

- production of a risk measurement report: the risk owner prepares reporting defined for the risk monitoring with the frequency and the operating procedures defined in the reference policy;
- analysis of the measured risk and proposal of mitigation plan: the risk owner examines data on the risk measurement report of its competence and prepares a report aimed at sharing its findings, at explaining certain phenomena encountered and possibly at proposing a plan of action to deal with the risk. The report and the reports are transmitted to the Risk Management;;
- approval of a reaction and risk mitigation plan: the Risk Manager analyses information set out in reports, completes the exam with additional analysis deemed appropriate and makes the resulting evaluations. During the first meeting of the Risk Management Committee or, if deemed necessary, in a special session, mitigating/reacting plans, proposed by the responsible for the line of activity or the Risk Manager, are submitted for discussion and approval.

In order to check, on a continuous basis, the potential in relation to the requirements provided for by the Solvency II Directive on technical provisions, capital requirement and composition of own funds, the Company adopts specific control and monitoring methods detailed in the reference policies.

4. Risk treatment

The risk treatment is for evaluating the possible options regarding the reaction to risk and then applying the one that is considered more appropriate. The choice, which also depends on the type and severity of the risk, is made between the following options: acceptance, avoidance, or attenuation and mitigation.

The acceptance option can result in the revision of risk targets, while avoidance can lead to review of the objectives and business strategies.

Some attenuation/mitigation measures implemented by the Company are referred to Reinsurance, to reliance on real guarantees (deposits, mortgages, etc.) and to sureties, as well as to the implementation of management action (namely measures such as recomposition of the structure of assets and/or liabilities managed or the transfer of assets and/or liabilities).

Any violations of the risk profile, operating limits or tolerances are managed through the process of definition of recovery actions. In particular the escalation process distinguishes stages and responsibilities depending on the severity of the violation:

- In cases of violation within the tolerance thresholds, the Managing Director promptly notifies the Risk and Control Committee, and with the support of the Board Committees and the Risk Management Function, as well as the Senior Management, defines any recovery plan;
- In cases of violation beyond the tolerance thresholds, the Managing Director promptly notified the Board of Directors with the aim of defining and approving the measures needed and the related timing for implementation. In the definition of the proposals by the Board of Directors, the Board Committees, the Risk Management Function and the Senior Management are involved.

5. Reporting

The internal reporting system of the Company, designed for the purpose of communicating the information needed to make timely and effective decisions even in critical situations, is aimed at promoting, at the appropriate hierarchical levels, all assumable, undertaken and future risks in the various business segments highlighting, in an integrated logic, the correlations of the risks and inter-relations with the external environment.

External reporting:

- as for reports destined for the National Insurance Regulator, is regulated by IVASS Reporting Policy;
- as for information destined for the public, is regulated by the Disclosure Policy.

Flows provided by to, as part of the risk management system, include following approaches:

- top-down, in relation to communications from the Board of Directors to senior management
- and the company structures involved;
- bottom-up, in reference to the flow of information, for the Board and the Committees, prepared especially by the control and top management functions;
- transverse, concerning the information flows between the control functions and the different business units and senior management.

Reporting from BoD to Functions

At least on an annual basis, the Board of Directors defines and disseminates to the appropriate hierarchical levels the Risk Management Policy, including the model of risk governance, the risk appetite and the guidelines on reinsurance, and approves and notifies the Senior Management and the business units involved of the results of the current and forward-looking own risk and solvency assessment (ORSA) along with the Board's conclusions.

Reporting from Functions to BoD

On an annual basis, the heads of the control functions (Risk Management, Compliance, Internal Audit and Actuarial Function) prepare and submit to the Board of Directors the annual plan of the activities, also including the actions aimed at addressing the deficiencies previously found and improvements to enhance the risk management system and internal control system.

Planning of the activities reflects the risk appetite defined by the BoD, defines the ordinary activities (identification, analysis, monitoring, treatment and reporting) and extraordinary activities for risk management, and considers any requests by the Supervisory Authorities. The state of implementation of the activities planned, the results and any criticalities on the evaluations made and any actions undertaken on the activity plan are formalized on a half-year basis by the Heads of the Control Functions to the BoD.

Any breaches of the risk profile, operational limits or tolerance thresholds are notified through ad hoc information flows and managed through the escalation procedure, as summed up in the paragraph relating to risk treatment.

Transverse reporting

With timing defined by the corporate procedures and annual plans of the control functions, the heads of the operational departments drawn up reports and information flows that are helpful for the analysis, monitoring and treatment of risks concerning their area of responsibility. The control functions (Risk Management, Compliance, Anti-money Laundering and Actuarial Function), where applicable, prepare appropriate information flows destined for the persons in charge of the operational departments on the outcome of the risk monitoring and compliance with limitations defined within the policies relating to specific risks.

Risk mapping and classification

Significant risks of the Company, whose consequences can undermine the solvency or constitute a serious obstacle to the achievement of business objectives, are set periodically by the Board of Directors, also through the support of evaluations made by the Risk Management, Compliance, Anti-money Laundering and Actuarial Function.

Risk cases applicable to the Company and portfolios managed are connected to the features of the insurance business, relating to both Non-Life and Life segments, to the structure of the distribution network, to the activities performed and to specific regulations that apply to the Group’s companies, as well as to the complex development strategies.

The cases considered in the context of the risk management process are mainly related to insurance risks, market risks, credit risks, liquidity risk, concentration risk, risks of regulatory non-compliance, reputational risks, operational risks and risks arising from belonging to the group.

Correlations among risks are considered in the related detailed policies.

Stress tests

The current and forward-looking risk assessment policy defines principles and responsibilities for the purpose of establishing a risk management that allows to preserve the stability and solvency, also in extreme stress conditions .

Stress tests adopted by the Company provide both regular planned checks and specific analyses to be performed when specific events occur.

Factors considered in the analyses of scenarios/stress tests, also in a forward-looking perspective, may, in particular, relate to:

- write-down of equity and real-estate portfolios or related dividends expected and real-estate income;
- change in the term structure of the interest rates;
- downgrading of bond issuers;
- deterioration of the technical assumptions of the number of claims, expenses and speed of claims settlement;
- change in the behaviors of the policyholders (increase of early repayment of contracts);
- decrease of written premiums forecast in the budget
- change in the liquidity position.

OVERALL RISK TARGETS

The System of the risk targets adopted by the Company is aimed at managing of the main potential risk, i.e. not being able to meet the contractual obligations towards policyholders, within the deadlines and with a proper profit margin.

This system is regulated within the Risk Appetite Framework, which defines the risk preferences and hence represents the level of risk that the Company aims to take, separately for the main risk areas identified, even for the purpose of achieving its strategic objectives.

The Risk Appetite Framework considers:

- the strategy of the Company, including the organizational objectives, the business plan, the financial constraints and the stakeholders' expectations;
- the willingness and ability to undertake risks;
- the competences, resources and technologies of the Company to manage and monitor the risk appetite;
- available capital.

Within this framework the risk levels are expressed in thresholds. Thresholds identify the tracks inside which the Company conducts its action aimed at the attainment of business objectives. Breach of these thresholds result in reporting and therefore in an escalation process, with a possible reconsideration of the business plans.

The risk appetite results operationally in Key Indicators, for the significant risks. These thresholds measure the level of risk/performance of a business, process or determined activity and are the indicators of possible future negative impacts, by providing early warning to identify potential harmful events that threaten the pursuit of the objectives or the business continuity. Monitoring the indicators adopted is performed on established schedules, by following an "evolution" and progressive "refinement" approach in relation to the development of the calculation metrics, the results of the calculations and the instruments of which the Company avails itself.

Measuring the achievement of the objectives, the Key Indicator are defined on the basis of three dimensions: Capital, Value and Profit. Thresholds adopted are reviewed and approved by the Board of Directors on at least annual basis, unless there are intermediate reviews due to the fact the risk appetite of the Company may be influenced by changes in the regulatory framework, in the market and in the business strategy of the Company.

B.3.3 Organizational structure in the risk management system

Risk Management Function

The aim of Risk Management Function is to:

- supporting the Senior Management in the definition of risk management strategies;
- promoting the adoption of an effective and efficient process of risk analysis, measuring and control;
- improving the risk management process;
- spreading the culture of risk management;
- defining any areas of improvement in relation to the Risk Appetite;
- verifying the compliance with limitations/parameters established by the Board of Directors for the risk exposure;
- monitoring the Company's risk profile.

In accordance with Article 21(1) of ISVAP Regulation no. 20, under the internal control and risk management system, the Risk Management Function has following tasks:

- assisting in the identification and classification risks the Company is exposed to or might be exposed to;
- identifying any new risks or changes in those already existing, also measuring changes in the investment portfolio;
- assisting in defining and validating criteria, measurement methods and models (input data, algorithms and rules, tools for applying the models) for the most significant risks;
- auditing the consistency of the risk measurement models with the Company's operations, also by performing quantitative tests;
- assisting in defining and validating methods and metrics to apply for current and forward-looking assessments of the risk profile, defining any corrective actions or mitigation measures;
- assessing and monitoring the Company's risk profile on a continuing basis by performing assessments for the purpose of ORSA while determining the Group's internal capital requirement in the present and future and alerting the Management Board of any risks found, also potential;
- assisting in the definition of stress test scenarios and methods;
- making qualitative and quantitative assessments of risks on a continuing basis, both current and forward-looking, also using stress tests;
- establishing the methodological approach for defining and calculating risk tolerance levels;
- providing the Board of Directors with proposals on the definition of Risk Appetite, assisting in its formulation and any subsequent changes;
- defining any improvements to the Risk Appetite Framework;
- providing Senior Management with useful information for assigning operating limits to the business units and defining the procedures for prompt audits of those limits;
- assisting in defining limits to investment allocation and periodically assess adequacy, also on the basis of stress tests, checking that the investment choices were appropriate in relation to pre-set scenarios;
- checking compliance with limits/parameters established by the Board of Directors for risk exposure;
- assisting in defining the capital management system;
- monitoring the performance and results of tests made to check consistency between the company plan, capital needs and available capital resources and the adoption of any corrective measures needed;
- providing an opinion on the development of new insurance products on the basis of analyses carried out in relation to risks of the same;
- ensuring preparation of the comprehensive business continuity plan, integrating the parts under the responsibility of Information Systems, General Services and Security, and verifying that it is consistent with corporate needs;
- preparing reports for company bodies with particular reference to half-year reports on monitoring and risk management activities and the annual plan of activities;
- providing performance reports to the Board of Directors, also through board committees, and to Senior Management, the Risk Management Committee of the Company and line departments on changes in risks and violations of operating limits set;
- distributing the results of risk analysis internally and externally;
- disseminating the culture of risk management;
- coordinating the process to draft and update policies providing support for each policy to the head of technical content and to the specific company departments involved;
- proposing and contributing to updating the contents of policies related to Solvency II for the parts under the department's scope of action;

- overseeing the process for calculating regulatory SCR, defining assumptions and models, checking data related to the estimate of risk levels and calculating the capital risk for the application of the standard formula;
- checking potential long-term respect of mandatory capital requirements in accordance with the Solvency II Directive, analysing:
    (i) potential significant changes in the risk profile;
    (ii) any significant changes in the assumptions used to calculate solvency requirements measured according to the standard formula;
- coordinating, from an operational standpoint, the yearly and quarterly quantitative reporting templates;
- helping to produce reports (solvency and financial condition report and regular supervisory report) for relevant chapters and sections and expressing an opinion on the reports.

In addition to the above, on request from company departments, the Risk Management Function can be called upon to provide an opinion on particular issues.

The Head of Risk Management is responsible for the following activities:

- providing once a year the Board with an action plan identifying the primary risks the Company is exposed to and any corrective measures to be carried out with respect to such risks. This planning also takes into consideration any failures found and any new risks;
- preparing, at least yearly, a report for the Board on the adequacy and effectiveness of the risk management system, methods and models used for protection against such risks, on the activities performed, checks carried out, results and criticalities found while reporting on the state of implementation of improvement measures, where carried out;
- providing his support in the identification of the policy objectives, in the formalization of the risk objectives and the tolerance limits.

The Head of Risk Management, whose appointment and revocation are the Board's responsibility, meets the requirements of integrity, professionalism and independence established by the Fit & Proper Policy.

The appointment and revocation of the Head of Risk Management are notified to IVASS within thirty days from the adoption of the related act, in particular in case of appointment it is also notified that the verification of the requirements of integrity, professionalism and independence was carried out.

The Head of Risk Management, who does not depend on or run any operational department, reports hierarchically to the Director responsible for the internal control and risk management and to the Board of Directors, also through the Control and Risk Committee on every issue related to the content and organisation of its activities. This type of organization ensures the necessary independence of the Function.

Moreover, the related Policy, by clearly defining roles and responsibilities, fosters understanding of the Company's scope and the building of relations with the other company functions.

For the performance of its duties, the Risk Management Function is guaranteed the full cooperation by the persons in charge of the different business units and the free access, without restrictions, to the relevant documentation, to information systems and accounting data relating to the areas subject to assessment and verification.

In particular, the Function cooperates with all parties, bodies or functions, internal or external, that are assigned specific control functions, exchanging any information that may be useful for the performance of its duties.

The Risk Management Function defines and formalized the planning of his planning through an annual plan, for the Company, to be submitted to the Board of Directors for approval.

Activities of risk management are performed in accordance with above plan and can be changed and supplemented by measures required for new needs (at the discretion of the Head of the Function), by giving notice according to terms defined by the Company. The state of implementation of the planned activities is formalized through appropriate half-year reports.

The Risk Management Function operates on the basis of a methodological approach defined and outlined within the specific Risk Management Policy adopted by the Company.

B.4 Internal control system

Overview of the internal control system

The internal control system is made up of the set of rules, procedures and organizational structures aimed at ensuring the proper running and sound administration of the undertaking and guaranteeing, with a reasonable safety margin:

- efficiency and effectiveness of the company processes;
- adequate control of current and forward-looking risks;
- timeliness of the system of reporting company information;
- accountability and integrity of the accounting and management information;
- safeguard of the assets also in a medium-long perspective;
- compliance of the undertaking's business with current regulations, directives and company procedures.

The structure of the Internal Control System of the Company complies with the fundamental principles established by the Insurance Regulator and is also based on the principle of proportionality that IVASS Regulation no. 20/2008, as amended by the provision no. 17/2014, applies the concept of adequacy to the nature, extent and complexity of the undertaking's activity and objectives of development that it intends to pursue.

Following elements of the internal control system are included in this concept of structure:

- an extensive system of guidance policies issued by the Board of Directors, reviewed on an annual basis by it, and aimed at ensuring:
    (i) the identification of the guidelines given by the undertaking for the attainment of company strategies in compliance with applicable rules and regulations;
    (ii) constant monitoring of implementation and adjustment of the policies;
- an organized system, consistent with the company strategy and policies, that is formalized:
    (i) in the drawing up of the Company's organizational chart and functions chart, periodically updated, that outline tasks assigned to each business unit with indication of their related heads;
    (ii) in the model of delegations.
- Assignment of an extensive network of functions responsible for:
    (i) Identifying risks connected to their activity;
    (ii) Evaluating the related impact;
    (iii) Monitoring their trend on a continuous basis;
    (iv) Ensuring a proper level of reporting to the relevant functions;
    (v) Undertaking, where necessary, the adequate treatment measures.
- The existence of second level control functions (Risk Management, Compliance, Actuarial Function, Anti-Money Laundering) overseeing the process of identification, assessment and mitigation of risks while ensuring consistency with company targets and meeting the independence criteria. While this structure has the objective to give a proper response to requirements under the sector regulations, it is designed taking into account the principles of proportionality and functionality of the corporate environment of Vittoria Assicurazioni S.p.A.;
- The existence of a third level function (Internal Audit) which provides independent assessment on the design and functioning of the internal control system and risk management system, by giving assurance to the Board of Directors and Senior Management in relation to effectiveness of the organization's assessment and management of its risks, including the procedure by which the first and second line of defense operate;

- a **system of corporate provisions**, as the set of macro-processes, processes, procedures, organizational arrangements and circulars, aimed at ensuring the achievement of the company targets with a reasonable safety margin, including a constant monitoring and adjustment of these rules. These provisions represent the instrument through which company processes are set forth, roles, responsibilities, operating and control procedures are identified. The main feature of these instruments is to provide for levels of segregation of duties and responsibilities among different organizational units or inside them. Provisions are formalized and made available to all the Company's staff on the intranet network by the "Knowledge Management" software;
- a constant **training activity** of all employees, by those who operate in the most operating structures up to the Directors, focused not only on the technical/insurance issues, but also on the principles that guide the company actions, also defined by the Code of Ethics, as well as on the primary and secondary regulations, which need constant updating and continuous training.

Compliance Function

The Board of Directors of the Company has established the Compliance Function as integral part of the system of internal control and risk management, whereby it performs second level controls.

<u>Objectives and responsibilities</u>

The Company ensures consistency between the level of risk taken and its risk appetite. To this end, the Compliance Function is assigned the following general objectives:

- ensuring an efficient and effective management of non-compliance risk;
- ensuring that corporate activities comply with rules, including self-regulatory rules;
- creating corporate value, protecting losses and enhancing corporate reputation.

According to tasks assigned by the primary regulation (see Article 30-*quater* of the Code of Private Insurance Companies) and in compliance with Article 23 paragraph 3 of ISVAP Regulation no. 20, within the risk management system and the internal control system, the Compliance function is responsible for:

- identifying, on an ongoing basis, the laws and regulations that are applicable to the Company, assessing their impact and preparing, to this end, periodic reports for the Senior Management and functions involved;
- providing advice to the Board of Directors in relation to compliance with primary and secondary rules directly applicable to the Company;
- identifying the potential sources and making qualitative and quantitative evaluations relating to the risk of non-compliance with laws;
- assessing ex ante the adequacy and effectiveness of organizational measures, operating processes and company procedures that the functions want to adopt in order to ensure adequate control activities and a proper management of the risk of non-compliance with laws;
- proposing the organizational and procedural changes aimed at ensuring an adequate control of the risk of non-compliance with laws and assessing the organizational adjustments as a result of the suggested changes;
- conveying and spreading the culture of corporate reputation throughout the organisation, also through training on compliance and on the internal control system, in order to ensure employees of all levels are adequately informed on the risk of non-compliance;
- providing adequate information flows to corporate bodies and other departments involved;
- proposing and supporting the update the Solvency II policies within its purview and checking, for all Solvency II policies, compliance with regulations applicable to the company.

Moreover, within the outsourcing processes, the Compliance Function was assigned following tasks by the Board of Directors:

- checking the characteristics of outsourced activities and the nature of essential and important activities whenever there is an outsourcing project;
- always keeping the outsourcing register up-to-date, for each of which there is a company contact;
- ensuring that IVASS is provided with the information set forth in ISVAP Regulation no. 20, Chapter VIII, Section II.

Finally, the Head of Compliance, being also in charge of Anti-Money Laundering and of the reporting of suspicious transactions (responsibility formally assigned by the Board of Directors), through the support of the business unit Compliance and Anti-Money Laundering, governs the dedicated process to prevent and fight money-laundering transactions and terrorism financing activities, and sets up a powerful safeguard within its department that is tasked and resourced both to plan and develop responses to systemic changes and to deal with the telematic management.

Implementation

The control activities performed by the Compliance Function, within the internal control system and the risk management system, with respect to the control of the risk of non-compliance with laws are drafted in an annual plan and are consistent with provisions under the Risk Management Policy.

The plan of activities, where actions to be performed by the Function in relation to the Company are outlined, is approved by the Board of Directors, through the Risk and Control Committee.

The activities scheduled are carried out in accordance with above plan and can be changed and supplemented with any unscheduled interventions made necessary due to new needs (at the discretion of the Head of Compliance), giving the Board of Directors due justification, also through the Risk and Control Committee.

In planning its activities, the Compliance Function takes into account:

- the evidence and any shortcomings found during previous risk assessments;
- occurred or expected changes in regulatory provisions;
- changes occurred in the Company activities;
- any new risks found;
- the adoption of rules and regulations by other functions or organizational units;
- needs of organizational development of the function.

The operability of the Compliance Function is divided into these macro-phases:

- Recognition of rules and regulations: aimed at identifying and analyzing the relevant internal and external regulations, including the case law, in relation to the features of the Company's operation and the scope of responsibilities of the Function, also with a forward-looking approach to the expected regulatory changes;
- Risk assessment: performed starting with the annual Risk Assessment Plan, used to defined the scope and ways of controls, in order to operationally assess the potential exposure to the risks of non-compliance, analyze the existing control tools, measure any gaps and evaluate the residual risk;
- Implementation of corrective action: aimed at identifying the organizational and procedural action (measures, procedures and controls) and the mitigation actions that may be necessary to ensure that the level of exposure to risk of non-compliance is in line with the risk appetite defined by the Board of Directors. Actions identified are formalized in a plan (so-called Action Plan) with indication of the detailed implementation process (methods, timing, departments involved, roles and responsibilities);
- Monitoring and reporting:
  - Continuing evaluation of the good performance of the Compliance controls, aimed at promptly identifying risks of non-compliance and quantify the significance and sustainability;
  - Follow up of the effective and efficient transposition of the organizational and procedural corrective measures, whose adoption was proposed inside the Action Plan;
  - Identification of information and training needs on compliance and/or on specific regulations, and reporting to management bodies and company departments involved.

In view of the complex and ever-changing regulatory framework and the company organizational structure, the Compliance Function defined a control model for the risks of non-compliance which enhances the specific competences inside the Company.

Monitoring mechanisms relating to the operational management of the non-compliance risk are, therefore, carried out first by each relevant function, according to their responsibility in managing company processes, as the first line controls are performed by the same operational departments.

During their day-to-day operation, the operational departments are required to identify, measure / assess, monitor, mitigate and report risks arising from the ordinary company activity in compliance with the risk management process.
In particular, without prejudice to the ultimate responsibility of the Compliance Function, following monitoring is identified:

- Direct Monitoring: the Compliance Function directly monitors the degree of compliance of the Company with the relevant rules and regulations with particular focus on the standards on transparency and fairness of behaviors towards insured and injured parties, on pre-contractual and contractual disclosures, the proper fulfilment of contracts, with particular reference to the management of claims and, more generally, to the consumer protection;
- Indirect Monitoring: with reference to other regulations for which specific measures are already in force, the Company provides that specific organizational units are involved and the tasks of Compliance Function are graded. In cooperation with the specific functions in charge of monitoring, the Compliance Function is responsible at least for the definition of assessment methods for the non-compliance risk and for the identification of related procedures.

In addition to above activities, the Compliance Function can provide support and guidance to the management bodies and organizational departments on all issues where the non-compliance risk is relevant, by carrying out actions, in coordination with the other company functions involved, to amend and implement new organizational strategies and operational conduct. In particular, the Function can provide its advice, if requested:

- In the phase of analysis, upon launching of new relevant activities or projects (ex-ante support)
- In the specific areas of competence of the Function;
- Supporting other Control Functions, in the revision of processes and procedures performed following checks or specific reporting;
- On the occasion of analysis of new regulations impacting the company business operation.

The Function may sometimes promote and coordinate workgroups with all Functions involved by the new regulations so that the procedures and measures, needed to implement the rules, are designed in compliance with the law and in a manner to prevent non-compliance risks.
The Head of Compliance is responsible for drafting and submitting the following reports to the Board of Directors:

- on an annual basis, the report on the adequacy and effectiveness of measures adopted by the Company to manage the non-compliance risk, on the activities performed, checks carried out, results and criticalities found, while reporting on the state of implementation of improvement measures, where made;
- on a half-year basis, the periodic report on the activities performed and the main outcomes of the checks carried out on the compliance of company processes with rules and regulations.

B.5 Internal Audit Function

The Board of Directors of the Company has established the Internal Audit Function as integral part of the system of internal control and risk management, whereby it performs third-level controls.

Objectives and responsibilities

Main objectives of the Internal Audit Function are:

- monitoring and assessing the functioning, efficiency and effectiveness of the system of internal control and risk management, as well as the other elements of the governance system;
- identifies the areas of improvement of the internal control system, also through activities of support and advice to the company functions.

In compliance with Article 47 of the Solvency II Directive, the Internal Audit Function is responsible for:

a) establishing, applying and maintaining an audit plan indicating the audit procedures to be carried out in the Company in order to check operation and suitability of the internal control and risk management system;
b) preparing regular reports for the Board of Directors based on the outcome of work performed within the audit plan, including any findings and recommendations needed to solve the discrepancies. These reports include also an assessment on the suitability of the system of the internal control and risk management;
c) promptly drafting reports on particularly relevant events;
d) checking compliance with resolutions adopted by the Board of Directors and based on the recommendations included in the report under letter b;
e) establishing a program of quality assurance and improvement by which its audit activities can be assessed and professional growth is promoted, by notifying the Board of Directors of elements that enable to evaluate future performance;
f) ensuring, in coordination with the other control functions, an adequate approach of management of risks and controls and a systematic evaluation process of the internal control system. This task shall not impair the independence of the Function.

Implementation

In the performance of the duties assigned:

- Internal Audit Function is ensured the full collaborations of the heads of the different units and the maintains an adequate structure in terms of human and technological resources;
- Internal Audit staff adheres to the International Professional Practice Framework issued by the Institute of Internal Auditors. The staff applies and promotes the Code of Ethics of the category and adheres to the principles of integrity, objectivity, confidentiality established by said Code of Ethics.

The line of defense carried out by the Internal Audit within the internal control system results in a Group's three-year plan of activities and is in line with provisions under the Risk Management Policy.

The Plan is defined also through a method of risk assessment that includes emerging trends and risks, significant organizational changes and the main services, processes, operations, findings of the activities performed recently and the areas of focus on risks or controls.

The Internal Audit Function undertakes specific actions for the Supervisory Body established pursuant to the Legislative Decree no. 231/2001. These actions, subject to approval by the Supervisory Body, are included in the Audit Plan and notified to the Board of Directors.

The Audit Plan, approved by the Board of Directors, is notified to the Senior Management, to the Board of Statutory Auditors and to the Supervisory Body.

Planned activities are performed in accordance with above plan and may be changed and supplemented by measures required for new needs (at the discretion of the Head of the Function).

The plan is then updated by giving the Board of Directors due justification, also through the Risk and Control Committee. Changes to the Audit Plan, approved by the Board of Directors, are notified to the Senior Management, to the Board of Statutory Auditors and to the Supervisory Body.

The Internal Audit Function performs the activity of assurance and advice support.

The activity of assurance is aimed at assessing whether the processes of risk identification, assessment, management and control and the Company's governance, as designed and implemented by the

Management, are adequate and work properly. In the performance of this task, the Function also evaluates the activities of Compliance, Risk Management, Actuarial Function and Anti-Money Laundering.
In particular, the assurance action, as provided for by Article 15(3) of ISVAP Regulation no. 20, includes at least the verification of:

- the management processes and organizational procedures;
- the regularity and functionality of the information flows among company sectors;
- the adequacy of the information systems and their reliability so that information quality on which the senior management relies its decisions is not impaired;
- the adherence of the accounting administrative processes to correct and regular accounting procedures;
- the efficiency of the controls performed on the outsourced activities.

The advice services provide added value to the Company by advising on the design, functioning and improvement of the Internal Control System. Advice services are performed in an independent and objective manner, without taking any management responsibilities.
The advice services may be provided by the Function in different forms such as participation to projects, advice on new processes, policies, procedures and new products.
These advice services are formalized and documented, when accepted they shall be included in the audit plan and the recommendations shall be traced and monitored.
The Head of Internal Audit submits to the Company's Board of Directors a six-month report on the activities performed that sums up all audits carried out, results, weaknesses or shortcomings found and recommendations for their removal.

In order to ensure autonomy and independence to the Internal Audit Function, the Head of Internal Audit is subject to the Board of Directors that, after favorable opinion by the Board of Statutory Auditors, resolves on the following items:

- approval of the Internal Audit Policy;
- appointment and revocation of the Head of Internal Audit;
- remuneration of the Head of Internal Audit;
- assignment of objectives and assessment of the performance of the Head of Internal Audit;
- approval of the Internal Audit activity plan, resource plan and related budget.

The Risk and Control Committee is involved in the processes of approval of aforementioned aspects. In particular, the appointment of the Head of Internal Audit is proposed by the Director in charge of the internal control and risk management system, after favorable opinion by the Risk and Control Committee.
The Head of the Internal Audit reports hierarchically to the Risk and Control Committee, i.e. a body of the Board of Directors, and functionally to the Director in charge of the internal control and risk management system.
The Head and the staff of Internal Audit adhere to provisions established within the Fit & Proper Policy.
The Function is free from conditions that may compromise its activity, as it:

- does not have direct responsibility or authority over the areas subject to audit;
- is not involved in any operational activities that might be subject to audit;
- carries out audit activity on an autonomous initiative and is free to allocate the resources available and apply the most appropriate techniques for the attainment of the targets required;
- is free to formulate and disclosure results and evaluations with regard to its specific purposes;
- has access and reports to management, Senior Management, the Control and Risk Committee and the Board without restrictions.

The remuneration of the Function staff (including the Head) is determined, as provided for by the Remuneration Policy, based on specific Function objectives that are in line with tasks assigned, independent from results pursued by the operating units subject to their control and bound to the attainment of objectives linked to the efficiency and the quality of the control action, provided that they do not lead to any conflicts of interest.
The Internal Audit Function provides its assessments by means of thorough analyses, impartially and without bias. It also avoids any conflict of interest. To this end, the Internal Audit staff shall not perform

audits of processes for which it had management responsibilities or an operational role in the audit period. The staff is required to promptly report any conflict of interest that affects it in the audit activity that is about to perform, in order to allow the Head of Internal Audit to make the proper evaluations.

B.6 Actuarial Function

The Head of Actuarial Function does not depend on any operational departments, reports hierarchically to the Director in charge of the internal control and risk management system and to the Board of Directors, also through the Risk and Control Committee, for all issues related to contents and organization of his/her activities.

The Actuarial Function is responsible for coordinating the Life and Non-Life Technical Provisions calculated according to Solvency II principles, assessing the sufficiency of Life and Non-Life Technical Provisions calculated for the purposes of drafting of the statutory financial statements and Solvency II and certifying the correctness of the procedures used. The Function checks the appropriateness of the data used to support the assumptions and the adequacy of methods, models and assumptions used, and assesses the underwriting policies and reinsurance agreements, by providing specific opinions. Moreover, it ensures that risk monitoring reports are prepared for the Board of Directors and the Risk Management Board, and provides ANIA, IVASS and COVIP with periodic sector statistics.

In particular, the Actuarial Function is responsible for the following activities:

- checking Life and Non-Life technical provisions calculated according to Solvency II standards with particular reference to calculation procedures, the adequacy of methodologies, models and assumptions used also through back testing;
- checking the reliability and pertinence of internal and external data used to calculate Solvency II technical reserves;
- checking the data quality for the calculation of the Local GAAP technical provisions, in particular:
  - (i) for Non-life business, through verification of the proper management of policies and claims data bases and claims movements;
  - (ii) for Life business, by checking the reserve flows, inflows and outflows;
- checking consistency between the amounts of technical reserves calculated on the basis of valuation criteria applicable to statutory financial statements and calculations from the application of Solvency II criteria;
- checking on a continuous basis that the undertaking meets the requirements relating to the calculation of the Solvency II technical provisions and identifying potential risks arising from uncertainty linked to this calculation;
- expressing an opinion on the data quality, suitability of assumptions and models used for the calculation of the undertaking specific parameters as well as of the process used;
- checking that inputs used for USP calculation are the same or consistent with those used for the calculation of Solvency II technical provisions;
- supporting the Risk Management Function, in particular:
  - (i) in identifying and analyzing the Company's risks, with particular regard to the technical risk, and in building up a risk management system that complies with Solvency II, and in the ORSA process;
  - (ii) in selecting calculation assumptions for each volatility factor, by evaluating the parameters determined by the Technical Actuarial Analyses Function;
  - (iii) in assessing the impact of USP usage on Solvency Capital Requirement;
  - (iv) in checking that USPs conditions are met;
  - (v) in analyzing any deviations from assumptions underlying the calculation of the solvency capital requirement assessed with Formula Standard;
  - (vi) in defining standards of quality of data that are useful for the internal, current and forward-looking own risk and solvency assessment (ORSA);
  - (vii) in assessing the effect of risk mitigation, resulting from reinsurance, in the calculation of the Solvency Capital Requirement.
- measuring the model risk and mutuality level of MTPL tariff within the system of risk assessment and monitoring by having access to all data bases needed for the elaborations and preparing on a six-month basis the related report for the Risk Manager and the Risk Management Committee;
- expressing opinions to the Board of Directors on the overall underwriting policy adopted by the Company and on Reinsurance agreements;

- preparing reports for the company bodies with particular reference to the report on the results of operations, on the suitability of assumptions and models used for the purpose of USP calculation and the report on the Technical Provisions calculated according to local GAAPs and Solvency II, including an opinion on the data quality;
- providing feedback to the areas of competence on the controls performed, in order to ensure consistency with the operational guidelines adopted arising from provisions of the policies;
- checking adequacy of the Life pricing in relation to assumptions used and assessments made when designing a new product;
- ensuring the preparation of reports of analysis and risk monitoring for the Risk Manager and the Risk Management Committee;
- proposing and updating the Solvency II policies within its purview;
- providing ANIA, IVASS and COVIP with periodic industry statistics related to Life and Non-Life Business and collaborating with other company departments where needed.

In addition to the above, the Actuarial Function, on request by corporate structures, can be called upon to provide an opinion on particular issues.

The Head of the Actuarial Function provides the Board of Directors, on an annual basis, with a report whereby he/she documents the results of the tasks performed, identifies clearly any shortcomings and provides guidance for corrective measures based on a reasoned analysis of the reliability and adequacy of the calculation of the technical provisions, as well as the sources and the degree of uncertainty of the estimate and on the appropriateness, accuracy and completeness of data and assumptions used.

B.7 Outsourcing

Outsourcing Policy approved by the Board of Directors defines guidelines and strategies that Vittoria Assicurazioni adopt on the outsourcing of activities and/or functions pursuant to ISVAP Regulation no. 20/2008. The Policy is drawn up in compliance with existing regulatory requirements, at national and international level. More relevant organizational documents are the Outsourcing Organizational Arrangement, the “Purchase Procedure” and the main related organizational documents, as well as the Company’s Business Continuity Manual. The Policy is also prepared in line with the “Procedure for related-party operations” approved by the Board of Directors pursuant to CONSOB Resolution no. 17221 of 12 March 2010 and to the Policy on Infragroup operations adopted by the Board of Directors pursuant to IVASS Regulation no. 30 of 26 October 2016.
Given that Vittoria Assicurazioni operates only in Italy, the providers of outsourced services are located on the national territory, therefore the competent jurisdiction is the Italian one.

The Policy objective is to rule the guidelines to be adopted in relation to the outsourcing of activities and/or functions, by identifying the general principles and criteria used to qualify the activities to be outsourced and to select and assess the provider; the assignment of roles and responsibilities on outsourcing and; the definition of the frequency relating to assessments of the provider performance level and the Service Level Agreement; the statement of willingness not to outsource control functions. The Service Level Agreement (SLA) are agreements whereby the parties define the service conditions the provider must comply with and the performance level that should be granted. Therefore, upon definition of the agreements with the provider of the activity to be outsourced, methods and parameters to assess the performance level are agreed upon, based on shared, objectives and measurable indicators.

The Company can avail itself of the outsourcing in order to improve the efficiency and profitability of the company processes, hence can enter into outsourcing agreements, provided that the nature and quantity of the outsourced activity and the terms of transfer do not result in an emptying of the Company activity itself. This outsourcing allows to provide a valid service quickly, with increasing efficiency and performance.
The Company has defined specific qualitative and quantitative criteria to identify the essential or important activities. The outsourcing of an essential activity means the outsourcing of the typical insurance processes of capital management and claims management, whose annual amount paid to the provider for the specific service exceeds the minimum significance threshold of Euro 50,000, while the outsourcing of important activity means the outsourcing whose annual compensation paid to the provider for each service exceed the minimum significance threshold of Euro 750,000. The selection of the provider represent a condition to guarantee good quality levels of the outsourced activity to the Company and to pursue profitability objectives. Selection criteria identified are mandatory in case of outsourcing of essential or important activities, as well as of other activities for which the annual compensation established by the provider is higher than Euro 50,000. Below this amount, verification of the integrity requirement is optional. In case of outsourcing of activities to Group companies, the verification of the requirements of integrity and economic standing is optional, without prejudice to the application of the principles set forth by the Policy on the Infragroup Operations and the Procedure for the Related-Party Operations.
All agreements must also include the clauses/appendices provided for by the Purchase Procedure adopted by the Company and, in any case, those compliant with ISVAP Regulation no. 20/2008 and EU Regulation no. 35/2015.

The Company ensures that there are contingency or emergency plans within the outsourced projects, i.e. acts to guarantee the business continuity, and that these plans are properly regulated in the contractual relationship with each provider. To enhance the contractual measures in force, inside the outsourced project, also the main actions to undertake in the contingency situations are defined. In case of early termination of the relationship for the outsourcing of essential or important activity, the Company envisages an exit strategy.
The Compliance and Anti-Money Laundering Function is responsible for checking the features of the activity to be outsourced and the nature of the essential or important activity, as well as for overseeing the correct execution of all obligations under the regulatory provisions and internal procedures: from the drafting of contracts to the disclosures to the Insurance Regulator. The Function requesting the outsourcing, after evaluating the opportunity to outsource the activity, notifies its intention to the Compliance and Anti-Money Laundering Function that assesses whether the activity falls within the scope outlined in the section “Activities that can be outsourced”. The opportunity to outsource one activity is supported by an analysis

that considers direct and indirect costs or even hidden charges, of the dependence on third parties, of the protection of the company know-how and potential discontinuities due to unexpected decreases of the provider performance.

If the activity falls within the activities that can be outsourced, the Compliance and Anti-Money Laundering Function assesses whether the activity must be classified as "essential or important". Furthermore, the Head of Compliance, if appropriate, involve the dedicated Committee for Infragroup operations that previously checks the outsourcing opportunity in order to identify the authorization procedure for the operation, verifying the competence for the approval of the Operation and any need to involve the Company's Related-Party Committee. If the activity is classified as essential or important, the Requesting Function provides the Senior Management and the Risk Management Function, as well as a copy to the Compliance and Anti-Money Laundering Function, with a Report on the outsourcing project containing information and the assessment on the activity outsourcing, where organizational, managerial, financial aspects leading to this proposal with due justification are outlined. Furthermore, this Report includes overall terms and conditions of the outsourcing agreement. The assessment of the advantages relating to the outsourcing, compared to the direct performance of the activity by the Company, is carried out by the company function involved in the performance of the service or activity. This assessment process is duly represented and documented inside the Report on the outsourcing project. At the end of the identification process of the essential or important outsourced activities or of provider selection, a copy of the Report on the outsourcing project is sent – along with a definitive copy of the contract – to the Compliance and Anti-Money Laundering Function and to the Risk Management Function, so that it is brought to the attention of the Risk Management Committee.

Then, the Report is submitted to the Board of Directors, which is empowered to approve the outsourcing project and authorize the general terms and conditions of the outsourcing agreement. The authorization takes place also in case of renewal or subsequent renegotiation of the contract. Following the authorization issued by the Board of Directors, the Expenditure Manager signs the contract. The persons in charge of controlling the outsourced activities are designated with letter of appointment by the Heads of the business units involved in the outsourcing. The appointment and any changes are promptly notified to the Compliance and Anti-Money Laundering Function and Human Resource Function. These persons in charge of the controls have functional competences that enable to manage and constantly monitor the outsourced activities.

Within the management of the outsourced activities, the Company entrusted following tasks to the Compliance and Anti-Money Laundering Function:

- keeping and constantly updating the register of the outsourced activities, for each of which a Person in charge of the Control is identified. To this end, the persons in charge are required to confirm the correctness of data relating to the outsourcing contract and the provider and to inform the Compliance and Anti-Money Laundering Function if, during the year, changes or amendments to contracts reported were made (including the termination of the relationship);
- carrying out, on a six-month basis, control and census of the outsourced activities other than the essential or important ones as well of the changes to related contracts;
- reporting, on a six-month basis, to the Risk and Control Committee on the ongoing outsourcing activities;
- handling disclosures with IVASS.

B.8 Other information

There are no other information to be reported.

C. Risk profile

First, the Company's exposure to risk, including any exposure arising from off-balance sheet, is measured with the Standard Formula envisaged by Solvency II regulation.

As at 31 December 2016, there are no cases of risk transfer through securitization or other Special Purpose Vehicles.

The risk profile of Vittoria Assicurazioni as at 31 December 2016 can be represented by the so-called "tree" of SCR., which enables to understand the significance of the risks, as well as the benefits of diversification among modules and sub-modules of risk: this schema is outlined in chapter E.2 Capital management – Solvency Capital Requirement and Minimum Capital Requirement.

C.1 Underwriting risk

Capital absorbtion for the underwriting risk is referred to possible unexpected losses both on the covered risks, and on processes used in the conduct of business. These losses are a possible increase in the technical provisions as a result of adverse and unexpected events, and their amount is calculated by aggregating:

- three sub-modules, premium and reserve, lapse and catastrophe, for Non-life and Health ;
- seven sub-modules, mortality, longevity, disability/morbidity, lapse, expense, revision and catastrophe, for Life.

Non-life and health underwriting

The Non-life and health premium and reserve sub-module is referred to:

- for the premium component, the risk that premiums generated from existing contracts are not sufficient to cover claims and the expenses incurred and to be incurred arising from these contracts;
- for the reserve component, the risk that the amount of the claims reserves is estimated in an improper manner and that, due to the stochastic nature of the payments of claims, these latter may fluctuate around the best estimate.

The Non-Life and Health lapse risk sub-module covers the risk of losses or the increase of the technical provisions arising from changes in the renewal rates, in case of contracts with unilateral renewal options available for the contracting party, in other words, it quantifies the capital requirements related to the possible inadequacy of the estimates on assumptions of discontinuance of the portfolio used for the calculation of the technical provisions, or of changes to the policy holders' behaviors.
Still in the context Non-life and Health, the catastrophe risk sub-module quantifies the risk of losses or increase in technical reserves linked to possible extreme or exceptional events such as natural catastrophes (storm, flood, pandemic, etc.) or artificial catastrophes (fire, terrorism, other events involving a place where there are many insured parties etc.).
Losses determined at sub-module take into account the mitigation provided by the passive reinsurance, where provided for by the Standard Formula.

Life underwriting

The mortality risk sub-module is related to the policies subjects to mortality risk, for which an increase in the mortality rate results in an increase of the technical provisions and the payment of benefits to the recipients.
The longevity risk sub-module is related to the policies subject to longevity risk, for which a decrease in the mortality rate results in an increase in the technical provisions and the payment of the benefits to the recipients.
Similarly, the disability/morbidity risk sub-module quantifies the capital requirements related to a possible increase in the disability and morbidity rates.
The lapse risk sub-module is related to options offered to the insured parties, whose exercise can change the future cash flows and therefore the technical provisions (termination, surrender, decrease, restriction or suspension of insurance covers, annuity appetite etc.).
The expense risk sub-module is related to the risk linked to the change in expenses resulting from the contract management, and aims at covering the risk that the management costs received upon premium collection cannot be sufficient to cover a future expense increase.

The revision risk sub-module quantifies the capital necessary against an instantaneous permanent increase of the annuity benefits paid by the Company where the benefits may increase as a result of changes in the legal framework or state of health of the person insured (contractual clause not included in the insurance policies issued by Vittoria Assicurazioni).
The catastrophe risk sub-module reflects a scenario in which the mortality is subject to one-off increase as a result of extreme and irregular events.

C.2 Market risk

The capital absorbtion for the market risk reflects the risk arising from the level or volatility of the market prices of the investments impacting on the value of the Company's assets and liabilities, as well as structural mismatch between assets and liabilities, in particular with respect to their duration, and is calculated by aggregating the following sub-modules: equity, real-estate, spread, currency and concentration.
Assets and liabilities held by the Company directly or by Funds are taken into account.

Equity risk

The equity risk reflects the possible losses arising from the changes in the level or volatility of the market prices of the equity instruments, and is directly linked to the market value of related financial instruments.
Two different levels of capital absorbtion are provided for:

- 39% for equities listed in regulated markets in the EEA o in OECD countries;
- 49% for other equities listed in stock exchanges, equities that are not listed equities and alternative investments.

Percentages above mentioned are then adjusted by ±10% relating to a symmetric mechanism of counter-cyclical adjustment (in 2016 it is -1.44%).
Equity investments (in subsidiaries and associates) qualified as strategic benefit from a lower level of capital absorbtion (22%). This category include investments in real-estate companies held directly by the Company that, besides meeting the Governance requirements (strategy and ability to hold the investee company for a long time), by highlighting a potential expected loss to one year that is significantly lower than the possible loss for other financial equity instruments (49%).
Furthermore, the calculation of the capital absorbtion considered that, in the Delegated Acts, "Transitional Measures" were introduced in order to avoid abnormal increases of volatility of the equity markets and to allow all investments in capital instruments, including those available in the Funds, to be subject to a capital absorbtion of 22%. This facilitation, that is only referred to investments already held on or before 1 January 2016, will be gradually withdrawn in seven years, realigning the capital absorbtion of these investments to 39% (if listed) and to 49% (if not listed) in 2023.

Real estate risk

The volatility of the real-estate markets, within the Standard Formula, is considered by determining a capital absorbtion that is 25% of the market value (in this case identified in the appraisal values) of the real-estate investments, regardless of destination and nature.

Spread

This risk reflect the sensitivity of the value of assets and liabilities and the financial instruments to changes in the level or volatility of credit spreads against risk-free term structure.
Government bonds, or anyway connected to them, are not included in this risk. The amount of the capital absorbtion increases as the rating class decreases and the duration of the securities considered increases.

Currency risk

The currency risk reflects the changes in the level or the volatility of the currency interest rates, to which the undertakings may be exposed both with reference to the assets and liabilities held. The capital absorbtion provided for by the Standard Formula is 25% of the related net exposures denominated in each currency.

Spread

The spread risk arises from the sensitivity of the value of assets, liabilities and financial instruments to changes of the maturity structure or volatility of spreads.
After quantifying the base NAV value as difference between Assets and Liabilities that are sensitive to the spreads, the capital absorbtion corresponds to the worst of the two changes in NAV occurring in two scenarios, where the value of Assets and Liabilities is re-calculated with a spread curve altered with upwards and downwards shocks.

Concentration
The sub-module measures the additional risks arising from investment portfolios that are particularly focused on some counterparties, by taking into account the significant exposures to the same counterparty or Group. To this end, activities considered in the spread, equity and real-estate risk sub-modules are examined, with exclusion of the investments in government bonds or in subsidiaries.
On the basis of the foregoing, the only position on which a capital absorbtion was calculated as at 31 December 2016 consists of the investment in Yam Invest N.V., that belongs to the equity investments.

The "Prudent person principle" under Article 132 of the Solvency II Directive has been transposed, at governance level, through the adoption of the specific Investments, ALM and liquidity Policy, whose main objective is to define the conditions that enable the Company to permanently generate future cash flows to fulfil the contractual obligations with insured persons while maintaining an adequate profit.
In particular, the specific objectives for the management of the investments, consistently with the overall Risk Management System and with the Risk Appetite, are as follows:

- Ensuring capital solidity of the Company by limiting the risk of potential loss as a result of an adverse change in the spread curve, of equity and real-estate prices and credit spreads;
- Optimizing the financial performance according to risk limits adopted;
- Giving preference to continuity of returns over time rather than high returns in limited period of time;
- Determining the strategic asset allocation in the medium-long run;
- Defining the criteria for selecting the investments and related limits;
- Containing the credit risk by favoring investments in issuers characterized by a high credit standing.

The Investments, ALM and Liquidity Policy envisages a portfolio division in "core-satellite": the core component is invested in Italian government bonds, European bonds or government securities of the European countries or supra-national bodies with Investment Grade, in other debt securities with Investment Grade or liquidity instruments, with features that are compatible with liabilities both in terms of the average duration and time frame of cash flows. In order to limit the investment risk, this portfolio does not include trading activities; in particular, purchase of debt securities is made if they are kept till maturity. It is therefore an investment model mainly aimed at collecting preset contractual flows.
The satellite component, accounting for the residual part of the portfolio, is handled with the purpose of yielding additional returns through investment in a diversified portfolio.
As a whole, the investment portfolio composition is structured in such a way as to provide for an adequate level of diversification among the different asset classes, consistently with risk profile of liabilities and in the pursuit of safety, profitability and liquidity of the portfolio as a whole, also resulting in its proper dispersion.
In managing the investments, the Company takes into account the features of each portfolio, with particular reference to the various profiles of insurance liabilities.
In particular, the investments relating to separately managed Life Segments are handled taking into account the policies and constraint that may be established by the relevant regulations, with the purpose of yielding on average over time a stable return that is higher than the guaranteed return established by the insurance contracts in portfolio and obtaining adequate future cash flows in relation to the flows provided for by the liabilities.
The other investments covering the Life and Non-Life technical provisions are handled with the purpose of yielding on an average over time a stable return that at least equals the rate incorporated in the tariffs of the insurance contracts in portfolio and obtaining adequate future cash flows in relation to the flows provided for by the liabilities.
All investments, including those related to free assets, are performed with the purpose of pursuing the capital solidity of the Company, with particular focus on safety, profitability and liquidity of the portfolio as a whole.
When choosing the investments, in particular in case of capital investments, the Company may also take into account, in addition to the financial return and albeit in a marginal manner, any operational synergies it may benefit from.
Assets held in relation to Life insurance contracts whereby the investment risk is supported by the policyholders (linked insurance policies and pension-fund management) are handled according to the objectives and strategies provided for by related insurance policies and regulations, pursuant to the total transparency towards policyholders and beneficiaries.

The Company, in order to evaluate the investment risks taken, carries out proper stress tests (i.e. impact of a depreciation of the equity and real-estate prices, of the change in the term structure of changes in the spread).
As for the safety of the investments, the Company has implemented, in addition to the usage of ratings issued by independent parties (ECAI), its own instruments and techniques to evaluate the credit risk, such as the leverage and the performance of the shares of the issuer and related Credit Default Swap spreads.
Besides the limitations for the purposes of managing the liquidity risk, the Company established rules and limits on the investments, including:

- The definition of rules for the allocation of investments to the investment portfolio or trading portfolio, and minimum limits to be assigned to the trading portfolio, with a distinction between Life Business Management and Non-Life Business Management;
- A percentage cap to the securities that are not listed in regulated markets and therefore potentially low liquid;
- A higher cap for the changed duration, consistently with the liabilities structure, with a distinction between Life Business and Non-Life Business;
- A cap that is higher than the ratio between SCR Market (Standard Formula) and the total assets subject to Market Risk;
- Investment limits per geographical area, currency, rating grade (between A and AAA, Investment Grade and non-Investment Grade) and issuer category (Italy, other countries, other issuers);
- Investment limits in derivatives (as at 31 December 2016, this kid of investment is not included in the Company's portfolio);
- Limits to lending, broken down per counterparty, type of guarantee etc.

C.3 Credit risk

The credit risk module reflects potential losses generated by an unexpected default or deterioration in the credit standing (i.e. rating) of the counterparties and debtors in the following twelve months. Exposures are divided in two types:

- Type 1: counterparties, aggregated per Group, having a rating that enables to assess the probability of default (credits to insurance or reinsurance companies and balances on bank or post accounts).
- Type 2: exposures in which the counterparty is without (policyholders, intermediaries, residential mortgage lending etc.).

The capital requirement considers the default probability of the counterparty (Type 1) and the credit seniority (Type 2).

C.4 Liquidity risk

The liquidity risk reflects possible losses arising from the difficulty of fulfilling the cash commitments, expected or unexpected, owed to counterparties, and arises mainly by:

a) Market Liquidity Risk, i.e. the sale of assets in unfair economic and timing conditions, accordingly influencing the Net Asset Value of the company;

b) Liquidity Mismatch Risk, i.e. the mismatch between cash inflows and cash outflows or an inadequate treasury management.

In particular, the liquidity risk for the Company mainly arises from:

- Management of the insurance portfolio, mainly for the uncertainty of the amount and timing linked to occurrence of the obligations take in the insurance portfolio (compensation for claims, claims payments, etc.);
- Management of insurance and reinsurance assets, in particular linked to the risk that the reinsurance contractual counterparty which the Company is exposed to cannot fulfil obligations entered into;
- Management of the debt financing, with the risk that the Company cannot fulfil existing obligations because of insufficient resources;

- Management of investments, including the liquidity risks connected to those assets that may potentially become illiquid and lead to unexpected losses from disinvestment.

The Company established a policy that, inter alia, provides for:
- The control of the liquidity risk in the short term and in the medium-long term;
- The creation of a minimum level of liquidity to be kept on the bank accounts and a minimum level of liquidity buffer (liquidity and free and readily cashed in short-term investments);
- The procedure for monitoring said levels;
- The estimate of financial flows forecasts and their check in the final balance.

The Standard Formula of Solvency II does not provide for a capital absorbtion for the liquidity risk.

C.5 Operational risk

The operational risk refers to the exposure to risks that are not considered in the other modules: possible losses arising from inadequate internal procedures, personnel or system mistakes or from external events.

It is a residual operating risk, additional compared to the operating risks already included in the other sub-modules.

It includes the legal risks and excludes risks arising from strategic and reputational decisions.

The Standard Formula, that cannot evaluate the adequacy of procedures and systems of each company, quantifies the operating risk with a calculation that takes into account only three company dimensions (mainly technical provisions, premiums and related growth).

C.6 Other material risks

No other material risks are to be found.

C.7 Other information

The Company implemented the adequate techniques of risk mitigation (that influence the probability that adverse events occur), consisting mainly of the use of reinsurance coverages, as well as the recourse to real guarantees (mortgages and deposits).

As for the first ones, the Reinsurance Policy of the Company aims at pursuing the balance of the preservation of each segment, and as a whole, for all segments.

Based on the vision of the overall exposure to the insurance risk, the proper reinsurance strategy is deployed to determine outward reinsurance properly and in line with the its risk appetite, while optimizing the use of the capital. Outward reinsurance, included in the relevant plan, are carried out by following the guidelines of said Policy.

With reference to the net level of risk retention, the assessment of the best retention is made considering:
- An assessment of the capital margins available;
- An assessment on the experiences of claims rate of the portfolio checked on the technical results of the Company;
- The level of risk tolerance defined in the Risk Appetite framework.

Specific tools used enabled to determine that the maximum possible damage is referred to the portfolio relating to the Fire and Technological Risk sectors for the Earthquake guarantee considering, through simulation, the effects of a single catastrophe event on the portfolio in a return period of 1/250 years.

Consistently with the retention objectives, it is defined whether to use the proportional or non-proportional reinsurance and, for the underwriting of risks that do not have quantitative or qualitative features established by insurance treaties, but falling into the philosophy of the Company's underwriting, specific facultative outward reinsurance arrangements are used.

The Reinsurance Policy defines also procedures for selecting the counterparties, that provides for assessing and monitoring the credit worthiness of reinsurer counterparties and checking any restrictions to procedures of the balances settlement, as well as the maximum exposure to a single counterparty or group.

The verification of the efficiency of the risk mitigation performed through reinsurance is carried out when the annual plan of outward reinsurance and half-year changes is defined.

The Company makes periodic stress-testing, quantifying the impacts that would follow the occurrence of adverse scenarios, consisting of both external phenomena, and by changes in the industry regulations.
By way of example, when performing the Own Risk and Solvency Assessment (ORSA), based on the recommendation by the Insurance Regulator, two stress-tests were carried out in these scenarios:
- Persistency of very low interest rates (“Low for long”);
- Consistent increases of the credit spreads on the financial activities, with significant impact also on the equity and real-estate market (“Double Hit”).

Further stress scenarios were as follows:
- Projection made by calculating the volume of future premiums of the non-life segments with a procedure that is different from EIOPA interpretation EIOPA (“Premium Volume”);
- Projection made with applying the transitional measure under Article 308*ter*(13) of the Solvency II Directive in relation to the equity risk (“Transitional Measures”);
- Projection made by assuming a sensitive increase of the claims frequency in the MTPL segment (“Loss Ratio”).

In any of the above scenarios, there were values that were not compliant with the risk appetite defined by the Company: the worst scenario was the so-called “Double Hit”, whose occurrence could lead to a decrease of the Solvency Ratio from 218.6% to 161.8%.

D. Valuation for solvency purposes

General principles

The consolidation scope for the calculation of group solvency has been analyzed in accordance with the Delegated Acts. In particular, the formal and substantive analysis of the consolidation scope in the present form of the group showed that subsidiaries do not have all the requirements in the state that would require consolidation with the full method for calculating the group own fund. For this reason, the full consolidation method includes only the data of Vittoria Assicurazioni S.p.A.

For the purposes of preparing the Solvency II financial statements, the Company values assets and liabilities in compliance with Article 75 of the Directive, whereby:

a) assets shall be valued at the amount for which they could be traded between knowledgeable willing parties in an arm's length transaction;
b) liabilities shall be valued at the amount for which they could be transferred, or settled, between knowledgeable willing parties in an arm's length transaction.

In particular, above provisions were evaluated according to the international accounting standards adopted by the Commission under the EC Regulation no. 1606/2002, compatible with Solvency II regulation.
The Company has not used criteria of valuation that are not allowed by Article 16 of the Delegated Acts.

Fair value hierarchy

In identifying the fair value levels, the Company follows the following hierarchy:

- Level 1: assets and liabilities are valued with listed prices in active markets for the same assets and liabilities, if any;
- Level 2: when the use of listed prices in active markets for the same assets and liabilities is not possible, assets and liabilities are valued using prices that are listed in active markets for similar assets and liabilities with adjustments to reflect the differences;
- Level 3: where the two previous methods cannot be applied, the Company avails itself of alternative valuation methods.

Factors for determining an active market are, in order:

a. Trading volume;
b. Trading frequency;
c. Market participants' willingness to trade the asset at market prices.

When using alternative valuation methods, the Company relies on valuation techniques that are consistent with one or more of the following approaches:

- Market approach, which uses prices and other relevant information generated by market transactions involving identical or similar assets, liabilities or a group of assets and liabilities;
- Income approach, which converts future amounts, such as cash flows or income and expenses, to a single current amount. The fair value reflects current market expectations about these future amounts;
- Cost approach or current replacement cost approach, which reflects the amount that would be required currently to replace the service capacity of an asset. From the perspective of a market participant seller, the price that would be received for the asset is based on the cost to a market participant buyer to acquire or construct a substitute asset of comparable quality adjusted for obsolescence.

When using alternative valuation methods, the Company defines, chooses and makes the maximum use of relevant market inputs, including:

- quoted prices for identical or similar assets or liabilities in markets that are not active;
- inputs other than quoted prices that are observable for the asset or liability, including interest rates and yield curves observable at commonly quoted intervals, implied volatilities and credit spreads;
- market-corroborated inputs, which may not be directly observable, but are based on or supported by observable market data.

To the extent that relevant observable inputs are not available including in circumstances where there is little, if any, market activity for the asset or liability at the valuation date, the Company uses unobservable inputs reflecting the
assumptions that market participants would use when pricing the asset or liability, including assumptions about risk.

The valuation can be performed internally or by relying on appraisals drawn up by external independent experts.

When making valuation of assets and liabilities, **separately for each class,** the Company applies the principle of **materiality** and **proportionality** of data.

Valuation is performed on a **going-concern** basis.

The Company aggregated the individual balance sheet items in the different classifications provided for the Solvency II Regulation, given the nature and risks relating to each item. In particular, the plan of the local balance sheet was reviewed in order to identify the homogenous indicators based on the features of each item.

D.1 Assets

(€/000)

Assets	Statutory accounts value	Reclassifications	Accounting policy differences	Solvency II value
Intangible assets	14,524	-	(14,524)	-
Deferred tax assets	74,380	-	47,677	122,057
Property	195,777	-	37,645	233,422
Participations	521,974	-	(9,005)	512,969
Equities, Bonds and Other investments	2,079,943	-	182,100	2,262,043
Assets held for index-linked and unit-linked contracts	56,349	-	-	56,349
Reinsurance recoverables	63,481	-	(16,735)	46,746
Receivables and other assets	259,070	(24,090)	-	234,980
Cash and cash equivalents	226,094	-	-	226,094
Total assets	3,491,592	(24,090)	227,158	3,694,660

Valuation method

The valuation methodologies outlined below are the same as those used for the assessment of individual solvency (article n. 359 (d) of the Delegated Acts).

A. Intangible assets

For the purposes of Solvency II, the value of the intangible assets, including goodwill, deferred acquisition costs, as well as other intangible assets not tradeable in active markets, is set to zero, as not tradeable on an active market. When an item of the other intangible assets is tradeable on active markets, this is valued on Fair Value.

B. Deferred tax assets

The item includes deferred tax assets found in the balance sheet, with all differences arising from local GAAP values and Solvency II values.
Differed taxes are due to:

- Temporary differences, i.e. mismatch between the moment when a component of expenses or income is entered in the balance sheet and the related taxability or deductibility;
- Differences between the values recognized for tax purposes and the book values ascribed to assets or liabilities in the balance sheet or the statement of assets and liabilities prepared with Solvency II accounting standards;
- Any benefits on previous tax losses.

The differed taxes are calculated based on tax rates in force in the year when there is the reversal of differences, notwithstanding the laws issued as at the date of the balance sheet drafting, given the peculiar tax regime applicable to the different items of the statement of assets and liabilities.
The deferred tax assets are recorded to the extent that there is the reasonable assurance of adequate future taxable income in the years in which the deductible temporary differences come due.
In particular, it is expected that deferred tax assets, net of the DTL transfers, are recovered as follows:

- Within 1 year: 28%;
- from 2 to 5 years: 56%;
- over 5 years: 16%.

There are no unused tax losses or tax credits for which no deferred tax asset is found in the balance sheet.

C. Property

Assets included in this category are valued to fair value, allocated to level 3 of the fair value hierarchy. The valuation is based on appraisals by external independent experts, breakdown as follows:

- Owner-occupied property: comparative method and income method of direct capitalization;
- Investment property: income methods of processing and discounted cash flow. In particular, the discount rate is the weighted average capital cost (WACC) which takes account of a leverage ratio of 50%, prospective inflation assumptions and the return on government bonds. For this property category, in order to assess any discrepancies against the value recognized in the balance sheet, it has been performed a sensitivity analysis concerning the change in the discount rate and the range of expected cash valued by the independent expert; from these analysis no significant criticalities have been reported.

Plants and equipment have been valued in compliance with Article 75 of the Directive.

D. Investments

The item includes investments in subsidiaries, associates and joint ventures, in which the Company holds, directly or by way of control, 20% or more of the voting rights or capital or a dominant or significant influence.
The classification between subsidiaries and associates reflects, respectively, the presence of control or significant influence on the investee companies.
As these participations are not listed, the value for Solvency II purposes was determined using the adjusted equity method (pursuant to Article 13 of the Delegated Acts) which requires the undertaking to value its holdings in related undertakings based on the share of the excess of assets over liabilities of the related undertaking held by the
participating undertaking, by valuating with Solvency II criteria any assets and liabilities ascribed to the balance sheet of the participating undertaking.
For non-significant participations in associates the proportionality principles was used.

E. Equities, bonds and other investments

Equities, bonds and investment funds listed are valued to the market price traded on active markets.
With particular reference to the Investment Funds, the Fair Value is represented by the value of the equity published and, if not available, valued using the last value of the equity available, including instalments or reimbursements issued in the reference period.

Valuation applied to unlisted shares and bonds were carried out as follows:

- Unlisted equities: for unlisted capital equities, but for which transactions in liquid markets take place, the Fair Value is measured on the basis of prices of recent transactions;
- Unlisted bonds: in case of bonds unlisted on regulated markets, the Fair Value is measured alternatively as follows:

    1) on the basis of prices of recent transactions, if transactions are carried out in liquid markets;
    2) on the basis of the observation of the market prices of similar instruments;
    3) using the cost net of any impairments cumulated for bonds of limited value.

In order to mitigate the impact of the main uncertainties, the Company checked that the securities available in the portfolio are traded in an active and liquid market.
For unlisted equity investments, the Company relied on an appraisal drawn up by independent experts, which determined a maximum and minimum range of values, inside which there is the fair value assigned to investments.
As for the stress tests adopted by the Company, reference is made to chapter: "*B.3 Management risk system, including Own Risk and Solvency Assessment (ORSA*)".

F. Assets held for index-linked and unit-linked contracts

These investments are related to insurance policies with risk borne by the Life policyholders and are valued at the price and exchange rate of the last trading day of the year.

G. Amounts recoverable from reinsurance

Similarly to what happens to the technical provisions of direct and indirect business, resinsurers' and retrocessionaires' shares are redrafted, against the balance sheet, with the Solvency II criteria, that take into account the expected financial flows related to the recoveries on the obligations of the direct and indirect business, discounted on the basis of the Volatility Adjustment curve.

H. Receivables and other assets

This item is valued according to provisions under the Article 75 of the Directive.
In the local balance sheet, the insurance receivables and receivables to intermediaries include the amounts to be recovered by Policyholders and third parties for claims payments on policies with "no claims bonus" clause, deductibles and subrogations, which for Solvency II purposes are reversed from the receivables, as already included in the Best Estimate calculation.

Other assets mainly include prepaid items that are calculated with the pro-rata temporis method.

I. Cash and cash-equivalent

Available balances are recorded at the nominal value. Balances of currency accounts are calculated at the exchange rates at the end of the period.

There are no financial or operating leases.

D.2 Technical provisions

D.2.1 Technical provisions: value for material asset area

Reference is made to the quantitative reporting templates S.12.01.02 and S.17.01.02, attached in the Company's Solvency Financial Condition Report, which outline respectively the value of Life and Non-Life technical provisions, separately for each line of business.

D.2.2 Technical provisions: main bases, methods and assumptions used for the solvency assessment

Composition

Solvency II regulation provides that all items are reported on the balance sheet at the fair value.
In this case, the Technical Provisions can be calculated as a Whole according to the market value of financial instruments used.
For all other technical provisions, the Solvency II regulation provides that the market value is determined as the sum of Best Estimate and Risk Margin.

The Best Estimate is determined by the discounting of all expected cash outflows (net of cash inflows), without prudent elements provided for by the current local GAAP and supervisory regulation: ultimate cost (Claims Reserve), premium linear deferral (Premium reserve) and usage of prudential technical bases (Mathematical Reserve).
Discounting is carried out using risk-free rates and Volatility Adjustment.
The Best Estimate is not the market price to which obligations to policyholders could be transferred, insofar as, just because of the lack of prudency required for its calculation, the potential acquirer of the liabilities would have the same probabilities (50%) to yield a profit or a loss from the settlement of acquired obligations.

For this reason, the Best Estimate is integrated by the Risk Margin that, in the context of transferring insurance liabilities, represents the "risk remuneration" required by the acquirer in order to take the risk that the Best Estimate is insufficient.
The Risk Margin is equal to the remuneration of the Own Funds that the acquirer of insurance liabilities must hold to cover the SCR needed till complete payment of the liabilities. The quantification method is defined Cost of Capital and the figurative remuneration rate of the capital is defined by the Supervisory regulation.

The method applies also consistently with the reserves and reinsurance Recoverables.

Best Estimate

Financial flows provided for in relation to the settlement of Technical Provisions (payments for claims, expenses, etc. gross of premium receipts, recoveries etc.) are calculated gross and net of the reinsurance recoveries and discounted with the EIOPA curve.

Non-Life Best Estimate: Claims and Recoveries, Direct and Indirect business, gross of the reinsurance:

Claims reserve Direct Business (claims reported and IBNR): for all Homogeneous Risk Groups (HRG) the Chain Ladder triangles as at the observation date are analyzed. For the HRG with higher historical background, the model was subject to the right calibration, and therefore it is used to evaluate the Claims Best Estimate (both in terms of amounts, and of years, in which payments are expected to be made).
For the HRG for which the Chain Ladder outcome provides an unreliable estimate as the evolution ratios have an unstable trend, the simplified method is used by approximating the Claims Best Estimate directly with the balance sheet reserve, that is changed in the financial flows expected for the following years using the related settlement speed observed in the recent years. This simplification was used for the LoB 9 and 12.

Sums to be recovered from policyholders and others – Direct Business: for the more significant HRG, the estimate was made applying a percentage vector to the future payment flows estimated for the Claims Best Estimate and IBNR; the percentage, on each HRG, was chosen by comparing the historical arrays of payments with those of the recoveries carried out.
For the HRG whose historical array is not deemed to be representative of the future flows, the balance sheet amount was used as approximation by developing future flows with the settlement speed of the direct business observed in the recent years on the related HRG.

Open claims – Indirect Business: the amount is estimated for each HRG using the balance sheet amounts, developed in the future years with the related settlement speed observed in the recent years.

Non-Life Best Estimate: Claims and Recoveries, Direct and Indirect Business: Reinsurance Recoverables:

Open claims (ceded business): this component is estimated applying to the Best Estimate "Claims Reserve Direct Business (reported claims and IBNR)" the same proportion available, for each HRG, between direct and ceded business available on the sums of payable and balance sheet reserve.

Sums to be recovered (ceded business): this component is estimated by applying to the Best Estimate "Sums to be recovered from policyholders or others – direct business" the same proportion available, for each HRG, between direct and ceded business available on the balance sheet sums to be recovered.

Open claims (retroceded business): currently this item refers only to claims on guarantees on "Aviation hulls", included in the LoB 6 (Maritime, aeronautics and transport insurance), and is estimated by using the balance sheet data.

Non-Life Best Estimate: Premium Reserve, Direct and Indirect Business, gross of reinsurance:

Premium reserve – direct business: the Premium Best Estimate is calculated by valuating separately the cash inflows ("IN") and the outflows ("OUT"):

Cash IN:
- Instalments: consisting of the infra-annual premium instalments that will be issued after the reporting date on the contracts in force as at the observation date.
- Receipts on existing multi-year contracts as at the observation date. The related estimate is made by calculating the premium that is expected to be received from the following year till the maturity year, disaggregated for each specific guarantee (and hence per line of business) as well as per collection year.
  Future projections are eliminated in order to consider the probability of contract termination by the policyholders after the first 5 years of the contract itself, also according the relevant regulations ("Bersani Law").

Cash OUT:
- Claims and related expenses estimated for the year(s) following to that of observation, for the contracts in force as at the date, covered by premiums already issued by the Company: the amount is approximated starting from the amount "Reserve for unearned premiums" of the balance sheet, gross of the acquisition costs, to which the historical Loss Ratios observed for each HRG is applied.
  The flow is developed in the future years using, for each HRG the settlement speed found in the historical trends and already used for the calculation of flows of the Claims Best Estimate.
- Claims and related expenses estimated for the year(s) following that one of the observation for the contracts in force as at the date and related above mentioned Instalments: the amount is approximated, for each HRG applying the historical Loss Ratios observed for the "Instalments". The flow of resulting amounts is developed in the future years, for each HRG the settlement speed found in the historical trends and already used for the calculation of flows of the Claims Best Estimate.

- Acquisition costs on the instalments: it is the acquisition costs provided for the year following the one of observation for contracts in force as at the date and related above mentioned Instalments.
- Claims and expenses (including acquisition costs) linked to receipts on multi-year contracts, in force as at the date of observation, that the Company estimates to collect from the year following the one of observation. Expected claims are estimated applying to the cash flows expected in the future years, the budget Combined Ratio for each HRG.

Premium reserve – ceded business: the Premium Best Estimate of the direct ceded business is calculated applying to the Best Estimate of each component calculated on the direct business the ceded percentage observed in the balance sheet for the related HRG.

Premium reserve – indirect business and retroceded indirect business: for the indirect business, the estimate of the Cash Flows is made by considering only the claims component arising from the Unearned Reserve in the balance sheet. The flow of resulting amounts is developed in the future years using the settlement speed found in the historical trends and already used for the calculation of flows of the Claims Best Estimate.

Life Best Estimate: Technical Reserves, Direct and Indirect Business, gross of reinsurance:

For the calculation of the gross Best Estimates the actual value of future inflows and outflows produced by the contracts is used, by separately elaborating the flows gross of the reinsurance from the flows arising only from the reinsurance.
The future cash flows of the Life contracts are projected till complete extinction of the portfolio, assumed to be in 30 years, by a calculation tool that uses reliable, realistic and entity-specific information and assumptions on the behaviors of the policyholders (surrender appetite, decrease, annuity conversion, maturity extension, increase or decrease of premiums etc.), on the demographic trends (mortality) and on the other significant factors (expenses, reinsurance, forward-looking expected returns on the Separate Management Accounts, guaranteed minimum returns, etc.).

Cash inflows include:
- premiums;
- recoveries arising from the reinsurance.

Cash outflows include:
- benefits payable for death;
- payable for disability;
- payable for redemption;
- payable for surrender;
- payment for annuities;
- administrative costs (commissions and costs directly linked to the management of the policies);
- payments to reinsurers.

Linked policies

As for the so-called Linked policies, whose benefits are linked to indexes or other financial instruments and the financial risk is borne by the policyholders, the Company has evaluated that the contractual forecast of cost application in case of surrender, the presence of management commissions commensurate to the share value, along with the management expenses, ensure that, for these types of policies, the valuation with the As a Whole method is not enough accurate.
The Best Estimates of said policies benefits are calculated using the rates of the risk-free curve provided by EIOPA as as expected annual returns of the underlying assets, also for the discounting of the projected cash flows.
This projection method is subject to back-testing in order to check that the processing of cash flows in a scenario without surrender costs, commissions and management costs, leads to values that are in line with the As a Whole reserves.

Counterparty default adjustment

Technical specifications require that the overall amount of the Best Estimate of the technical provisions borne by the Reinsurers is adjusted to take into account the possibility of default by the counterparty.
As for the Non-life component, the adjustment was calculated using the simplified approach proposed by the regulation (Article 61 of the Delegated Regulation (EU) 2015/35) which considers the exposure to each counterparty according to the related Credit Quality Step.
As for the Life component, the analyses of the historical series of the outward reinsurance suggest that the impact of the non-material adjustment, and therefore this adjustment, as at 31/12, was not calculated.

Risk Margin

The Risk Margin is the part of technical provisions that quantifies the amount that is to be added to Best Estimate of the Technical Provisions to determine the overall amount that the Company should pay to another Company to transfer all existing contractual obligations.
The calculation method for the Risk Margin is the Cost of Capital (COC), that is calculated taking into account that who takes over in the obligations of a company transferring its technical provisions (in run-off events) must have a determined supervisory capital (destined for being gradually freed based on the technical provisions run-off), and that the availability of this capital is to be remunerated.
The COC is valued separately for the Life and Non-life technical provisions.

Calculation of Non-life Risk Margin
The regulation requires that the calculation is made by estimating the SCRs of all future years till the complete run-off of the portfolio and assuming an annual cost, resulting from the figurative remuneration at 6% (rate set by EIOPA); the Risk Margin is equal to the sum of all annual costs, discounted at the date of observation.
As it is not possible to make directly the calculation of the SCRs of the future years, one of the simplified method proposed by EIOPA was used, namely to approximate the future SCR by using a constant proportion against the Best Estimates.

Starting from the Best Estimate at the reference date, the relevant SCRs (Non-life, Health, Default Type 1 and Non-life component of the Operational Risk) were calculated and the projected Best Estimates for the following 16 were discounted, by assuming that future SCRs decrease compared to the original SCR at the same rate as the Best Estimates decrease.
Future SCR obtained have been discounted and, on the capital total used overall for the run-off of technical provisions, the 6% of COC was calculated, by getting the overall Risk Margin, that was given to the HRG as a proportion of the related Best Estimates.

Calculation of the Life Risk Margin
The Life Risk Margin is calculated by adopting, among the different simplified methods proposed by EIOPA, the one that implies the constancy in the years to come of the ratio between SCRs (Life SCR and Life component of the Operational Risk) and the Best Estimate.
Based on this assumption, the SCR amount relating to the current portfolio at the end of each year of projection is estimated by applying said ratio to the Best Estimate calculated at that time.
The sequence of future SCRs so set is therefore discounted with curve of risk-free rates and without volatility adjustment. The application of the capital cost of 6% to this amount results in the Risk Margin, as provided for by the Article 39 of the Delegated Regulation (EU) 2015/35 of the Commission, of 10 October 2014.

D.2.3 Uncertainty level associated to the value of the technical provisions

Non-Life

The uncertainty degree of the assessment of technical provisions is associated to the "model risk", i.e. that the method of calculation, albeit appropriate, includes a deterministic method having predictive nature. By applying different scenarios, it turned out that the different assumptions could lead to a change -2.5% to +4.6% (LoB 4, i.e. Motor) or a change from -5.4% to +7% (LoB 8, i.e. General MPTL).
The main factors influencing the estimates (and the related recoveries from reinsurers) are the frequency of claims, the settlement speed, the growth and mix of portfolio, the reinsurance policy and the discounting rate curve.

Life

The most significant uncertainty factors in setting the technical provisions include the accuracy of statistics on the trends of the insurance policies in portfolio both demographically and with respect to the behavior of the policyholders (tendency to surrender, annuity conversion etc.), the financial variables (i.e. the discounting rates of the future cash flows), and the possible interactions between the market trends and the behaviors of the policyholders.

D.2.4 Difference between Solvency II assessment and Local balance sheet assessment

Main bases, methods and assumptions used for the valuation for the purposes of local balance sheet – Qualitative differences

Local GAAP reserves consist of:

Non-Life Business:

Items	Valuation
Premium reserves	The premium reserves consist of: - Pro-rata temporis reserves, determined by calculating, for each contract, based on recognized gross premiums net of direct acquisition costs, the part of relevant premium of the period after the end of the year. - Reserves for ongoing risks, calculated by estimating the amount of any risk surplus provided for on the insurance policies in portfolio compared to the reserve for part of premium with future premiums, net of acquisition expenses. - Integrative reserves established under the Italian regulations for some LoB or guarantees (suretyships, hail, natural disasters, nuclear hazards).
Claims reserves	The claims reserves represent the prudent valuation of compensations and settlement expenses estimated for claims occurred and not yet paid, wholly or partially, as of the date of the balance sheet date, based on all components forming the requirement for coverage of the claim's ultimate cost. "Ultimate cost" means the means the estimate of all foreseeable costs based on a prudent assessment of factual evidence (document examination) and forecasts (expected claims settlement time frame and related inflation rates).
Other non-life technical reserves	The other technical reserves include the ageing reserve for health insurance that, in setting premiums, do not take into account changes in the policyholder's age and contain clauses that limit the Company's ability to withdraw.

	The estimate is based on a comparison between estimated cash inflows (premiums) connected to contracts and estimated cash outflows (claims and expenses), by setting aside 10% of gross premiums written on these contracts.
Equalization reserves	The equalization reserves are amounts of reserves provided for by the regulations in order to offset the fluctuations of the claims rate in the future years or to cover particular risks, and is set aside for contract of the Credit segment and for risks of natural disasters.

<u>Life Business:</u>

<u>Item</u>	<u>Valuation</u>
Mathematical reserves	The life business technical reserves are calculated on the basis of the pure premiums and actuarial assumptions deemed to be appropriate as at the date when contracts were signed. Calculation of technical reserves is based on the rate of return determined on the basis of the related investments for respective ''revaluable'' benefits.. The premiums-carried-forward component of mathematical reserves is calculated on a pure-premium basis. The mathematical reserve is never lower than surrender value.
Complementary insurance premium reserves	The premium reserve for complementary accident insurance is calculated analytically by applying the premiums-brought-forward criterion to the related pure premiums.
Profit participation and reversal reserves	Profit participation includes all amounts pertaining to the year, paid and to be paid to policyholders or other beneficiaries, including amounts used to increase technical reserves or reduce future premiums, as long as they constitute distribution of technical profits arising from non-life and life insurance activities, after deduction of amounts accrued in previous years' that are no longer necessary. Reversals consist of the amounts that are partial rebates of premiums made on the basis of each contract's performance.
Other technical reserves	The other reserves include the reserve for management expenses, calculated on loading for management expenses and on the other technical bases of the insurance pricing applied.
Reserves relating to contracts whose performance is connected with investment funds or and market units and resulting from the management of pension funds	The reserves relating to unit-linked contracts and pension funds were calculated based on the contractual obligations, both of the financial assets linked to these contracts and cover the commitments from Life Business insurance whose return is determined based on the investments for which the policyholder bears the risk or based on an unit.

Quantitative differences between valuation for Solvency purposes and balance sheet values

<u>Non-life technical reserves</u>

(€/000)

Item	Solvency II value	Statutory accounts value	Change
Technical provisions - non-life	1,374,397	1,519,589	(145,192)
Technical provisions - non-life (excluding health)	1,318,377	1,442,111	(123,734)
Best Estimate	1,259,763	1,442,111	(18,348)
Risk margin	58,614	-	58,614
Technical provisions - health (similar to non-life)	56,020	77,478	(21,458)
Best Estimate	51,771	77,478	(25,707)
Risk margin	4,249	-	4,249

The difference between the Solvency II valuation and the individual balance sheet values of non-life technical reserves is due to the different nature of valuations::
In particular:

- As for the premium component, the reserve, valued according to the Best Estimate, represents an estimate of the financial flows expected for the future years on existing contracts. This estimate is made by separately assessing claims and premiums expected on these contracts starting from the year after the valuation date. But the Local premium reserve is calculated starting from the linear rediscount of the premium portion of these contracts.
- As for the claim component, the Best Estimate valuation is without prudential rules that are considered in Local valuations.

Moreover, for both components the expected future flows are discounted using the Risk Free curve plus the Volatility Adjustment.
The following table shows matters outlined above, by splitting the reserves between Best Estimate and Risk Margin and between Premium reserve and Claim Reserve, highlighting the different effects resulting from Solvency II valuation.

(€/000)

Technical provisions - non-life	Solvency II value	Statutory accounts value	Change
Premium reserve:pro-rata temporis basis and additional reserves		394,239	(113,528)
Premium best Estimate	280,711		
Claims reserve *		1,094,543	(63,720)
Claims best Estimate	1,030,823		
Other technical reserves (aging reserve)		409	(409)
Equalisation reserves		6,308	(6,308)
Risk Margin	62,863		62,863

(*) This item is shown net of "Receivables due from policyholders and third parties for recoverables" amounting to 24,090 thousand euro.

The Best Estimate of the Premium reserve is lower than 28.8% compared to the local balance sheet data; similar change in the Claim Reserve is -5.8%. The Risk Margin is 4.8% of the Best Estimate.

Item	Solvency II value	Statutory accounts value	Change
			(€/000)
Technical provisions - life	1,221,390	1,135,126	86,264
Technical provisions - health (similar to life)	3	2,930	(2,927)
Best Estimate	(21)	2,930	(2,951)
Risk margin	24	-	24
Technical provisions — life (excluding health and index-linked and unit-linked)	1,169,753	1,075,844	93,909
Best Estimate	1,151,125	1,075,844	75,281
Risk margin	18,628	-	18,628
Technical provisions — index-linked and unit-linked	51,634	56,352	(4,718)
Best Estimate	51,322	56,352	(5,030)
Risk margin	312	-	312

The difference between the Solvency II valuation and the balance sheet values of the technical reserves is mainly due to the methods of estimate, projection and discount of the expected financial flows, as further specified:

- Projection of revaluations of benefits of the revaluable policies based on the vector of "risk neutral" expected rates, that do not include the extra-return arising from holding financial instruments with expected returns that are higher than the risk-free curve, rather than being based on a vector of "real world" expected rates;

- Usage, in Solvency II, of technical bases of second level instead of first level (demographic tables, assumptions of behaviors of policyholders, costs of portfolio management etc.);

- Discounting of future benefits as calculated with Volatility Adjustment curve, significantly lower than the technical rates used for the related discounting for balance sheet purposes.

Within the valuation of Life technical reserves, the Company determined future returns based on existing portfolio as of the valuation date giving to assets of future acquisition, a profitability in line with the risk-free interest rate curve notified by EIOPA. No operations aimed at sharing theoretical risk market losses among Life policyholders have been assumed.

Using the Risk Free curve without the Volatility Adjustment, the values would be the following:

Life technical reserves: 1,229,733 thousand euro
Non-life technical reserves: 1,380,175 thousand euro
Net differed tax assets: 25,140 thousand euro

D.3 Other liabilities

				(€/000)
Other Liabilities	Statutory accounts value	Reclassifications	Accounting policy differences	Solvency II value
Provisions other than technical provisions	9,556	-	-	9,556
Pension benefit obligations	2,905	-	4,025	6,930
Deposits from reinsurers	12,933	-	-	12,933
Deferred tax liabilities	11,839	-	89,357	101,196
Insurance & intermediaries payables	34,782	-	-	34,782
Reinsurance payables	7,504	-	-	7,504
Payables trade - not insurance and other liabilities	92,124	-	-	92,124
Total Other liabilities	171,643	-	93,382	265,025

A. Reserves other than technical reserves

The item includes the funds for future risks and expenses set aside to cover expenses arising from potential actions to void in bankruptcy, penalties and ongoing legal actions, relating to normal business operations.

B. Pension liabilities

The item refers to the following items, valued with actuarial techniques for Solvency II purposes:

- Supplementary Pension
- Post-employment benefits
- Other long-term benefits

The main assumptions adopted for actuarial assessments were the following:

Demographic assumptions

- probability of death: assumptions determined by the General Accounting Office of Italy and identified as RG48, for males and females;
- probability of disability: separate assumptions by sex adopted by INPS (Italian social security institute) for projections in 2010;
- retiring age: for the generic active individual, the first opportunity as per the mandatory state national insurance conditions was assumed;
- probability of abandoning active work for causes other than death: annual frequency of 2.50%;
- probability of anticipation: 3.50% year after year.

Economic and financial assumptions

- Inflation:	1.50%
- Annual technical discounting rate	1.31%
- Annual rate of severance payment increase	2.63%
- Annual rate of growth of remuneration (for the purpose of calculating seniority services)	2.50%
- Annual rate of growth of the average reimbursement (for the purpose of calculating health services)	1.50%

Sensitivity analysis of some input has been carried out (discounting rate, inflation rate and turnover rate); from these analysis no significant criticalities have been reported.

C. Payables

Payables (to insurers, to reinsurers, tax due, payables to employees, social security payables and trade payables) and the other liabilities (commissions to be paid on the bonus being collected and provisions for agency awards and balance of the liaison account between Life and Non-life business) are valued in compliance with 75 of the Decree, and their value coincides with the local balance sheet value.

D. Deferred tax liabilities

The item refers to deferred tax liabilities detected in the balance sheet, supplemented with the differences arising from the Local GAAP values and Solvency II values. The method is the same outlined above, in relation to deferred tax assets.

There are no potential liabilities, nor financial or operating leases.

D.4 Alternative methods for valuation

No alternative methods for valuation have been used in addition to what is outlined in the previous paragraphs.

D.5 Other information

There are no information to be reported.

E. Capital Management

Group specificity

There are no own funds issued by a group company other than the parent company Vittoria Assicurazioni S.p.A., nor by an enterprise belonging to another financial sector. Therefore, it was not necessary to consider the effects of intragroup transactions in the calculation of own funds.

E.1 Own funds

E1.1 Eligible own funds as at 31 December 2016

The following table sums up, separately for each level, the information on the structure, amount and quality of the own funds as at the end of the reference period.

Own funds Solvency II (€/000)

	31/12/16	Tier SII
Ordinary share capital	67,379	Tier 1
Share premium	33,355	Tier 1
Surplus funds	543,639	Tier 1
Reconciliation reserve before dividends	168,615	Tier 1
Net deferred tax assets	20,861	Tier 3
Solvency II excess of assets over liabilities	833,849	n.a.
Foreseeable dividends, distributions and charges	(14,150)	n.a.
Solvency II eligible own funds	819,699	n.a.

As at 31 December 2016, the Share Capital totally paid up consists of no. 67,378,924 ordinary shares with a par value of Euro 1.00 each, authorized, issued and fully paid-in.

The share premium reserve refers to the excess of the issue price of the shares compared to their nominal value.

The Earnings-related reserve, net of the deferred tax assets of 20,861 thousand euro as under the Implementing Regulation (EU) 2015/2450 of the Commission of 2 December 2015, includes:

- Legal reserve of 12,628 thousand euro;
- Revaluation reserve of 18,193 thousand euro, relating to the real-estate revaluations carried out in 2008, pursuant to Article 15 (20) of the Legislative Decree no. 185 of 29 November 2008, and in 2013 pursuant to the Law no. 147/2013;
- Available reserve of 394,192 thousand euro;
- Year’s earnings of 139,487 thousand euro.

The Own Funds that could be used to cover the capital requirement are made up of the difference between Assets and Liabilities recorded in the Balance Sheet, net of the dividends resolved and not yet distributed.

The table below shows the Tier breakdown of the Own Funds aimed at covering the Solvency Capital Requirement and the Minimum Capital Requirement, calculated by using the Volatility Adjustment curve:

(€/000)

	31/12/16
Tier 1- unrestricted	798,838
Tier 2	-
Tier 3	20,861
Total eligible own funds to meet S.C.R	819,699
Total eligible own funds to meet M.C.R.	798,838

The eligible amount to cover the MCR is made up of only Tier 1 funds, as envisaged by the regulation.
Tier 3 amounts are made up of the balance between deferred tax assets and liabilities.

The impacts of the use of the **Volatility Adjustment** curve on the Own Funds and on Solvency Capital Requirement are outlined in the table below:

Impacts of using the Volatility Adjustment curve (€/000)

	31/12/2016	
	Volatility Adjustment	Risk free
Market Risk	218,041	219,112
Counterparty Default Risk	52,650	52,652
Life Underwriting Risk	27,571	29,281
Health underwriting Risk	22,895	22,929
Non-Life underwriting Risk	266,035	266,606
Sum of risk components	587,192	590,580
Diversification effects	(164,973)	(166,684)
Basic S.C.R.	422,219	423,897
Operational Risk	44,666	44,877
Tax adjustment	(91,976)	(91,880)
S.C.R.	374,909	376,894
Tier 1	798,838	784,953
Tier 2	-	-
Tier 3	20,861	25,140
Eligible own funds to meet Solvency Capital Requirement	819,699	810,093
SOLVENCY II RATIO	218.6%	214.9%

Reference is made to the chapter: "D.3 Other liabilities" for related details.

The basic Own Funds for Solvency II purposes are higher than the Share Capital set with the Italian accounting standards for 168,615 thousand euro, as outlined in the table below, showing also the Eligible Capital Elements (Own Funds):

Own funds (€/000)

	Solvency II value	Statutory accounts value	Change
Excess of assets over liabilities at 31.12.2016	833,849	665,234	168,615
Foreseeable dividends, distributions and charges	(14,150)	(14,150)	-
Intangible assets	-	(14,525)	14,525
Eligible own funds	**819,699**	**636,560**	**183,140**

Items referring to the difference between the Local GAAP Net Assets and Solvency II Own Funds, are as follows:

Difference between Shareholders' Equity Local GAAP and Own funds Solvency II (€/000)

	31/12/16
A) Shareholders' Equity Local GAAP	665,234
Reconciliation reserve:	
Unrealised capital gains on financial Investments and properties	210,740
Intangible assets valued at zero	(14,524)
Technical provisions non-life valued at a lower value	121,103
Technical provisions life valued at a higher value	(86,264)
Reinsurance recoverables valued at a lower value	(16,735)
Pension benefit obligations	(4,025)
Tax effect	(41,680)
B) Total reconciliation reserve	168,615
C) Solvency II excess of assets over liabilities (A+B)	833,849
D) Foreseeable dividends, distributions and charges	(14,150)
Solvency II eligible own funds (C+D)	819,699

The reconciliation reserve of 168,615 thousand euro, refers to the differences of valuations gross of the dividends deliberated or expected and includes the tax effect that arises from the recalculation of the deferred tax assets and liabilities carried out on the differences resulting from the local GAAP values and Solvency II values.

Reference is made to the chapter: "D. Valuation for solvency purposes", which outlines the differences in the valuation between the standards adopted for the solvency valuation and those used for the local balance sheet valuation, specifically for each class of assets or liabilities.

E1.2 Objectives pursued, policies and processes applied for managing the own funds and time horizon used for business planning

The Company manages the capital resources in order to ensure a higher available (current and forward-looking) capital, consistently with the economic capital requirements and to keep a Solvency II Ratio in line with the risk appetite, also on a forward-looking basis.

The Capital Management consists of activities and procedures aimed at:

- Complying with growth strategies for the internal lines through self-financing of the economic capital needs, consistently with the objectives established in the strategic plan and in the Risk Appetite Framework;
- Keeping an adequate financial solidity to ensure that current and forward-looking solvency requirements are in line with the risk appetite and with provisions under the strategic plan;
- Ensuring that the Own Fund elements meet on a continuous basis the applicable capital requirements and are properly classified;
- Ensuring that terms and conditions of each element of the Own Funds are clear and unmistakable;
- Keeping an adequate level of return on investments;
- Identifying and documenting the situations whereby the distributions of an element of the Own Funds may be reduced or cancelled;
- Ensuring that any policy or statement relating to the dividends due for the ordinary shares is taken into account in terms of capital position;
- Ruling the issuance of the elements of the Own Funds according to a Capital Management Plan, if there is the opportunity, albeit not provided for, to rely on the increase of the Own Funds.

As required by the provisions issued by IVASS through the letter to the market issued by IVASS of 15 April 2014, given that the capital management is particularly important in the guidelines established by EIOPA, the Company performs the activities outlined below in order to pursue the preset objectives within this Policy.
The Company defined the capital planning process, with the aim of achieving the objectives while keeping the ability to face adverse scenarios, by formalizing, in the capital management policy, methods and instruments, including monitoring and reporting.
The outcome of the capital planning process consists of the Capital Management Plan, formalized through specific information flow, including a reliable forecast of the available Own Funds and any new funds, based on the performance of the planned activity, on the future expected profits, the dividend policy and the measures of capital management provided for by the Senior Management.

Verification and classification of the Own Funds

The Company adopts assessment procedures aimed at ensuring that the elements of the Own Funds, both upon issuance and later, meet the regulatory requirements and that these are properly classified, in order to get a clear and mistakable definition of the Own Funds in terms of subordination, availability, duration, convertibility, constraints etc.

Capital monitoring

In making assessments of the risk profile on a forward-looking basis and its possible changes, the Company identifies the link between the risk profile and the overall solvency requirements, both in terms of quality and of quantity, and as a result detects any capital shortcomings in relation to the risk level that it aims to take in the medium-long period. In the Capital Management Plan, the capital resources are defined to support the development of the assets, by planning the quantity and the future composition of the Own Funds consistently with the strategic medium-long term approach.

Planning is performed with a three-year time horizon.

The Plan encompasses the forward-looking indicators relating to the Balance Sheet in order to outline the future trend of the available Own Funds net of any dividends provided for various years, and the future economic flows generated in relation to the activities that will be carried out and the risk objectives defined in the Risk Appetite Framework, by checking that limits and tolerance levels set also on a forward-looking basis are met.

The monitoring outcome of these metrics is formalized in the dedicated information flows of “Monitoring of the Risk Appetite indicators”.

For the preparation of the Capital Management Plan, the Company makes use of methods and tools that enable to project the capital requirement and the own funds in the future years, taken the strategic decisions implemented through the Business Plan data.

In the event that the future data showed a capital requirement that is not covered by the self-regulation, the Capital Management Plan would outline any operations of issuance of capital instruments (timing, amounts, types, requests).

The adequacy of the capital management plan is verified by significant changes in the risk profile, in line with the circumstances defined in the Risk Assessment Policy (current and forward-looking), such as extraordinary operations (i.e. acquisition/sale of a line of business, or a portfolio of contracts or entering new markets), substantial change of the types of risks insured, events in the economic/financial/real-estate market or macroeconomic scenarios that may have a significant impact on the level of current and/or forward-looking solvency requirements.

Within the capital monitoring process, the Company also performs activities of continuous monitoring aimed at checking that the composition of the Own Funds is continuously fulfilled. The Company checks the composition of the Own Funds on a three-month basis, according to quantitative information to be disclosed to the Supervisory Body (Quantitative Reporting Templates – QRT).

In particular, in order to comply with current rules and regulations, the Company performs monitoring activities in terms of level and quality of the Own Funds:

- Reconciliation between Solvency II data and Solvency I data, and analyses of change compared to the annual data and eventually previously quarterly data;
- Analysis of the composition of the reconciliation reserve, in terms of difference between the capital calculated with Solvency II criteria and the balance sheet capital, and analysis of related change compared to the annual data and eventually previously quarterly data;
- Comparison of the Balance Sheet with corresponding Solvency I values of the previous end of the year;
- Tiering of the Own Funds and verification of the adherence of the eligibility percentages defined by law.

These assessments are carried out on a quarterly basis and are reported to the Board Committees and the Board of Directors also as supplementary information for the purposes of the approval of the QRTs (Quantitative Report Templates).

Management and preservation of adequate capital levels

As outlined above, the Company manages its capital resources in order to ensure an available capital (current and forward-looking) that is higher than the economic capital requirement and enable to keep the Solvency II ratio in line with the risk appetite on a forward-looking basis and in any stress scenarios.

If, even after forward-looking assessments made, an inadequacy of the available capital funds is to be found, in relation to the limits of risk or the preset performance objectives, the Company shall review the Capital Management Plan and/or Business Plan so as to align the capitalization level to the expected needs.

In particular, if a solvency level that is not in line with the preset objectives is to be found, the Company identifies the risk areas/business units that are less efficient in terms of capital absorbtion and take any corrective actions such as the mitigation, through the reinsurance and the de-risking (asset allocation, product mix, selection of the counterparties with high credit standing) in order to optimize the capital absorbed.

The Company usually does not rely on Alternative Risk Transfer (Catastrophe Bonds, Risk Securitization, Derivatives, financial reinsurance) and securitization as corrective measures..

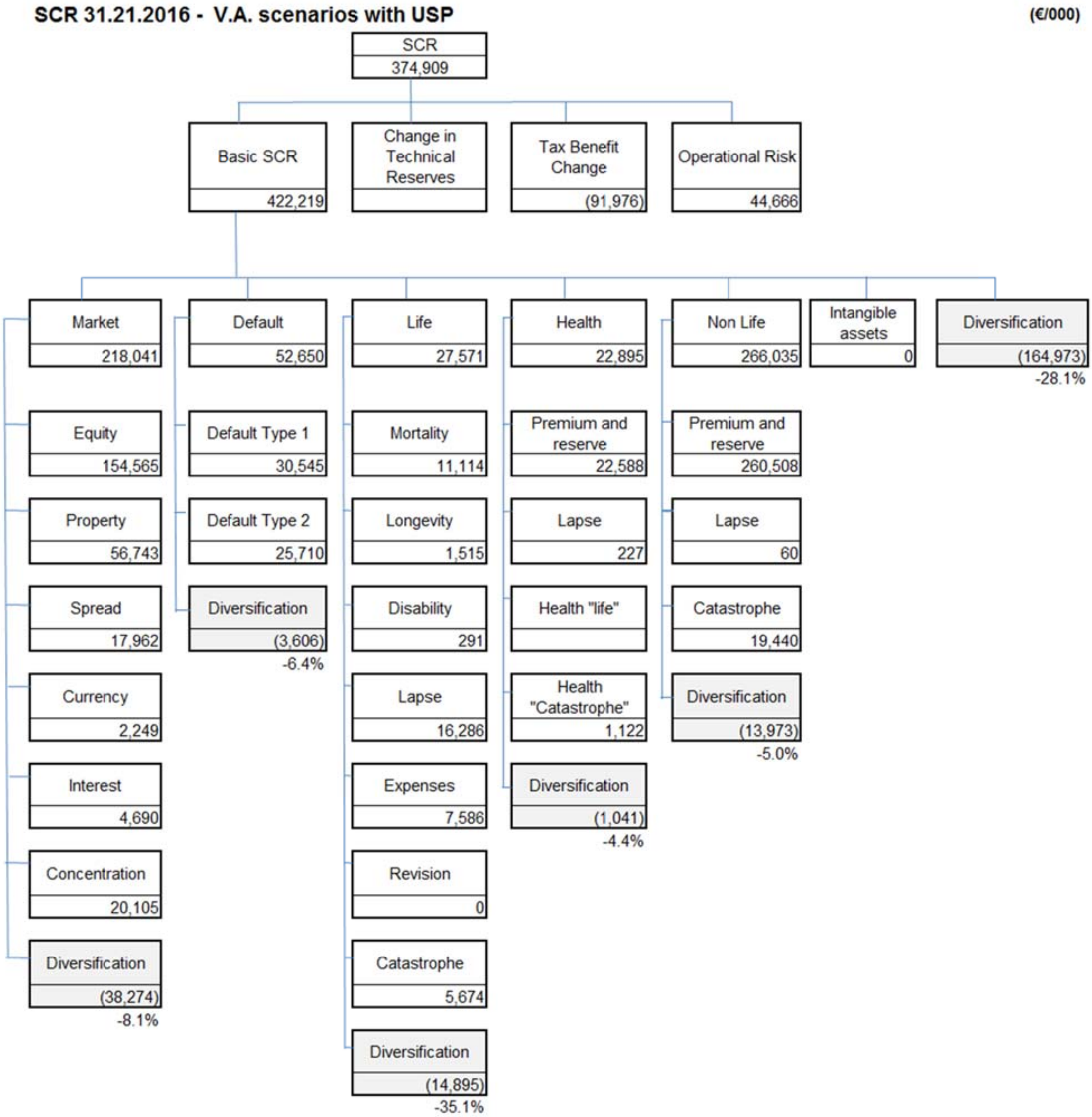
If the Company wants to take direct action on the capitalization level owned, it can avails itself of the following measures:

- Reduction or deletion of the distribution of dividends;
- Issuance of subordinated loans;
- Capital increases.

E.2 Solvency Capital Requirement and Minimum Capital Requirement

As at 31.12.2016, the Solvency Capital Requirement (SCR) accounts for 374,909, thousand euro, while the Minimum Capital Requirement (MCR) accounts for 168,709 thousand euro.

Related composition is as follows:



As required by law, it should be noted that:

- there are no assessments of the SCT in place by the Supervisory Body;
- the Life SCR sub-modules, as well as the Premium and Reserve sub-modules of the Health and Non-life modules include, among the inputs, the calculation of the technical reserves, for which, some simplifications were used (as detailed in the QRTs S.12.01 and S.17.01)
- the Company uses the Undertaking-specific Parameters (USP) for the calculation of the Premium Risk and the Reserve Risk of the following segments:
    - MTPL insurance,
    - Motor other classes insurance,
    - GTPL insurance,
    - Income protection insurance and Fire and other damages insurance.
- the Supervisory Body has not required a Capital Add-On to the Company;
- inputs used for the MCR calculation, as provided for by the Standard Formula, consist of the preserved Technical Reserves, the gross Premiums recorded in the year's accounts, retained Life risk capitals, considering that the MCR must anyway be between the floor, accounting for 25% of the SCR, and the cap, accounting for 45% of the SCR.

E.3 Usage of the equity risk sub-module based on the duration of the calculation of the solvency capital requirement

Not applicable.

E.4 Differences between the standard formula and the internal model used

Not applicable.

E.5 Non-compliance with the minimum capital requirement and non-compliance with the solvency capital requirement

In the reference period, the minimum capital requirement and the solvency capital requirement of the Company have been widely covered by the Own Funds available.

E.6 Other information

There are no information to be reported.

Annexes: Quantitative reporting templates

(data in euro units)

Vittoria Assicurazioni Group S.p.A.
S.02.01.02 - Balance sheet

		Solvency II value
Assets		**C0010**
Goodwill	R0010	
Deferred acquisition costs	R0020	
Intangible assets	R0030	-
Deferred tax assets	R0040	122,056,872
Pension benefit surplus	R0050	-
Property, plant & equipment held for own use	R0060	125,282,781
Investments (other than assets held for index-linked and unit-linked contracts)	R0070	2,883,151,711
Property (other than for own use)	R0080	108,140,237
Holdings in related undertakings, including participations	R0090	512,968,524
Equities	R0100	102,992,691
Equities - listed	R0110	9,502,589
Equities - unlisted	R0120	93,490,102
Bonds	R0130	2,071,693,357
Government Bonds	R0140	1,963,921,992
Corporate Bonds	R0150	104,369,090
Structured notes	R0160	3,402,275
Collateralised securities	R0170	-
Collective Investments Undertakings	R0180	85,356,902
Derivatives	R0190	-
Deposits other than cash equivalents	R0200	2,000,000
Other investments	R0210	-
Assets held for index-linked and unit-linked contracts	R0220	56,348,726
Loans and mortgages	R0230	29,666,261
Loans on policies	R0240	1,275,779
Loans and mortgages to individuals	R0250	5,811,382
Other loans and mortgages	R0260	22,579,100
Reinsurance recoverables from:	R0270	46,745,706
Non-life and health similar to non-life	R0280	44,418,281
Non-life excluding health	R0290	43,079,059
Health similar to non-life	R0300	1,339,222
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	2,327,425
Health similar to life	R0320	-1,628,139
Life excluding health and index-linked and unit-linked	R0330	3,955,564
Life index-linked and unit-linked	R0340	-
Deposits to cedants	R0350	148,734
Insurance and intermediaries receivables	R0360	154,157,779
Reinsurance receivables	R0370	810,686
Receivables (trade, not insurance)	R0380	40,805,071
Own shares (held directly)	R0390	-
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	-
Cash and cash equivalents	R0410	226,093,669
Any other assets, not elsewhere shown	R0420	9,391,282
Total assets	R0500	**3,694,659,278**

Vittoria Assicurazioni Group S.p.A.
S.02.01.02 - Balance sheet – continued

		Solvency II value
Liabilities		**C0010**
Technical provisions – non-life	R0510	1,374,395,590
Technical provisions – non-life (excluding health)	R0520	1,318,375,753
TP calculated as a whole	R0530	-
Best Estimate	R0540	1,259,761,577
Risk margin	R0550	58,614,176
Technical provisions - health (similar to non-life)	R0560	56,019,837
TP calculated as a whole	R0570	-
Best Estimate	R0580	51,770,985
Risk margin	R0590	4,248,852
Technical provisions - life (excluding index-linked and unit-linked)	R0600	1,169,755,754
Technical provisions - health (similar to life)	R0610	3,161
TP calculated as a whole	R0620	-
Best Estimate	R0630	-20,998
Risk margin	R0640	24,159
Technical provisions – life (excluding health and index-linked and unit-linked)	R0650	1,169,752,593
TP calculated as a whole	R0660	-
Best Estimate	R0670	1,151,124,925
Risk margin	R0680	18,627,668
Technical provisions – index-linked and unit-linked	R0690	51,633,362
TP calculated as a whole	R0700	-
Best Estimate	R0710	51,321,531
Risk margin	R0720	311,831
Other technical provisions	R0730	
Contingent liabilities	R0740	-
Provisions other than technical provisions	R0750	9,555,812
Pension benefit obligations	R0760	6,930,338
Deposits from reinsurers	R0770	12,933,017
Deferred tax liabilities	R0780	101,195,941
Derivatives	R0790	-
Debts owed to credit institutions	R0800	-
Financial liabilities other than debts owed to credit institutions	R0810	-
Insurance & intermediaries payables	R0820	34,782,415
Reinsurance payables	R0830	7,504,448
Payables (trade, not insurance)	R0840	65,197,469
Subordinated liabilities	R0850	-
Subordinated liabilities not in basic own funds	R0860	-
Subordinated liabilities in basic own funds	R0870	-
Any other liabilities, not elsewhere shown	R0880	26,926,737
Total liabilities	R0900	**2,860,810,883**
Excess of assets over liabilities	R1000	**833,848,395**

Vittoria Assicurazioni Group S.p.A.
S.05.01.02 - Premiums, claims and expenses by line of business

		Line of Business for: non-life insurance and reinsurance obligations (direct business and accepted proportional reinsurance)												Line of Business for: accepted non-proportional reinsurance				Total
		Medical expense insurance	Income protection insurance	Workers' compensation insurance	Motor vehicle liability insurance	Other motor insurance	Marine, aviation and transport insurance	Fire and other damage to property insurance	General liability insurance	Credit and suretyship insurance	Legal expenses insurance	Assistance	Miscellaneous financial loss	Health	Casualty	Marine, aviation, transport	Property	
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110	C0120	C0130	C0140	C0150	C0160	C0200
Premiums written																		
Gross - Direct Business	R0110	15,218,332	78,599,419	-	638,959,053	113,456,551	3,401,586	96,683,193	52,519,222	5,156,295	4,871,925	23,772,148	48,507,269					1,081,144,992
Gross - Proportional reinsurance accepted	R0120	293	523	-	33	-	178	1,739	97,025	-	-	17,283	-					117,072
Gross - Non-proportional reinsurance accepted	R0130													-	-	-	-	-
Reinsurers' share	R0140	86,975	492,858	-	1,088,666	2,059,863	148,475	9,047,741	716,170	3,264,942	3,477,977	11,098,606	91,347	-	-	-	-	31,573,619
Net	R0200	15,131,650	78,107,084	-	637,870,420	111,396,688	3,253,289	87,637,191	51,900,077	1,891,353	1,393,948	12,690,825	48,415,921	-	-	-	-	1,049,688,445
Premiums earned																		
Gross - Direct Business	R0210	14,932,467	77,660,492	-	638,575,428	111,333,196	3,366,461	95,162,271	52,228,736	11,118,094	4,748,505	23,242,598	48,419,552					1,080,787,800
Gross - Proportional reinsurance accepted	R0220	293	523	-	33	-	178	1,747	89,595	-	-	17,241	-					109,608
Gross - Non-proportional reinsurance accepted	R0230													-	-	-	-	-
Reinsurers' share	R0240	93,623	530,533	-	1,087,800	2,060,838	148,476	9,161,123	761,285	4,629,430	3,424,970	9,818,263	106,445	-	-	-	-	31,822,788
Net	R0300	14,839,137	77,130,482	-	637,487,661	109,272,357	3,218,163	86,002,895	51,557,045	6,488,664	1,323,536	13,441,576	48,313,106	-	-	-	-	1,049,074,620
Claims incurred																		
Gross - Direct Business	R0310	6,304,227	29,299,371	-	464,039,484	58,269,952	1,595,664	48,962,278	26,509,456	16,847,619	298,425	6,137,658	1,511,281					659,775,414
Gross - Proportional reinsurance accepted	R0320	-	-	-	-	-	-	-	-	-	-	-	-					-
Gross - Non-proportional reinsurance accepted	R0330													-	-	-	-	-
Reinsurers' share	R0340	15,457	87,588	-	-	642,068	-	4,105,180	15,198	5,885,875	176,058	6,617,328	108,874	-	-	-	-	17,653,623
Net	R0400	6,288,770	29,211,784	-	464,039,484	57,627,885	1,595,664	44,857,097	26,494,258	10,961,744	122,368	-479,670	1,402,407	-	-	-	-	642,121,791
Changes in other technical provisions																		
Gross - Direct Business	R0410	-	-	-	-	340,373	4,005	222,125	-	-	-	-	-					566,503
Gross - Proportional reinsurance accepted	R0420	-	-	-	-	-	-	-	-	-	-	-	-					-
Gross - Non- proportional reinsurance accepted	R0430													-	-	-	-	-
Reinsurers' share	R0440	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net	R0500	-	-	-	-	340,373	4,005	222,125	-	-	-	-	-	-	-	-	-	566,503
Expenses incurred	R0550	5,113,875	28,965,459	-	154,598,890	36,713,366	1,571,285	35,751,171	19,196,594	2,968,604	-362,997	9,546,593	14,264,265	-	-	-	-	308,327,105
Other expenses	R1200																	10,358,717
Total expenses	R1300																	318,685,822

S.05.01.02 - Premiums, claims and expenses by line of business – continued

		Line of Business for: life insurance obligations						Life reinsurance obligations		Total
		Health insurance	Insurance with profit participation	Index-linked and unit-linked insurance	Other life insurance	Annuities stemming from non-life insurance contracts and relating to health insurance obligations	Annuities stemming from non-life insurance contracts and relating to insurance obligations other than health insurance obligations	Health reinsurance	Life reinsurance	
		C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0300
Premiums written										
Gross	R1410	912,042	172,709,147	4,817,140	11,030,504	-	-	-	-	189,468,832
Reinsurers' share	R1420	520,406	185,103	0	476,670	-	-	-	-	1,182,179
Net	R1500	391,636	172,524,044	4,817,140	10,553,833	-	-	-	-	188,286,654
Premiums earned										
Gross	R1510	-	-	-	-	-	-	-	-	-
Reinsurers' share	R1520	-	-	-	-	-	-	-	-	-
Net	R1600	-	-	-	-	-	-	-	-	-
Claims incurred										
Gross	R1610	46,396	114,720,068	6,803,613	15,607,879	-	-	-	-4,361	137,173,596
Reinsurers' share	R1620	10,717	109,121	-	335,425	-	-	-	-	455,263
Net	R1700	35,680	114,610,948	6,803,613	15,272,454	-	-	-	-4,361	136,718,334
Changes in other technical provisions										
Gross	R1710	-	-	-	-	-	-	-	-	-
Reinsurers' share	R1720	-	-	-	-	-	-	-	-	-
Net	R1800	-	-	-	-	-	-	-	-	-
Expenses incurred	R1900	-53,053	17,604,532	122,098	621,307	-	-	-	-	18,294,884
Other expenses	R2500									197,252
Total expenses	R2600									18,492,136

Vittoria Assicurazioni Group S.p.A.
S.05.02.01 Premiums, claims and expenses by country

		Home Country	Total Top 5 and home country
		C0010	C0070
	R0010		
		C0080	C0140
Premiums written			
Gross - Direct Business	R0110	1,081,144,992	1,081,144,992
Gross - Proportional reinsurance accepted	R0120	117,072	117,072
Gross - Non-proportional reinsurance accepted	R0130	-	-
Reinsurers' share	R0140	31,573,619	31,573,619
Net	R0200	1,049,688,445	1,049,688,445
Premiums earned			
Gross - Direct Business	R0210	1,080,787,800	1,080,787,800
Gross - Proportional reinsurance accepted	R0220	109,608	109,608
Gross - Non-proportional reinsurance accepted	R0230	-	-
Reinsurers' share	R0240	31,822,788	31,822,788
Net	R0300	1,049,074,620	1,049,074,620
Claims incurred			
Gross - Direct Business	R0310	659,775,414	659,775,414
Gross - Proportional reinsurance accepted	R0320	-	-
Gross - Non-proportional reinsurance accepted	R0330	-	-
Reinsurers' share	R0340	17,653,623	17,653,623
Net	R0400	642,121,791	642,121,791
Changes in other technical provisions			
Gross - Direct Business	R0410	566,503	566,503
Gross - Proportional reinsurance accepted	R0420	-	-
Gross - Non- proportional reinsurance accepted	R0430	-	-
Reinsurers' share	R0440	-	-
Net	R0500	566,503	566,503
Expenses incurred	R0550	308,327,105	308,327,105
Other expenses	R1200		10,358,717
Total expenses	R1300		318,685,822

		Home Country	Total Top 5 and home country
			C0210
	R1400		
			C0280
Premiums written			
Gross	R1410	189,468,832	189,468,832
Reinsurers' share	R1420	1,182,179	1,182,179
Net	R1500	188,286,654	188,286,654
Premiums earned			
Gross	R1510	-	-
Reinsurers' share	R1520	-	-
Net	R1600	-	-
Claims incurred			
Gross	R1610	137,173,596	137,173,596
Reinsurers' share	R1620	455,263	455,263
Net	R1700	136,718,334	136,718,334
Changes in other technical provisions			
Gross	R1710	-	-
Reinsurers' share	R1720	-	-
Net	R1800	-	-
Expenses incurred	R1900	18,294,884	18,294,884
Other expenses	R2500		197,252
Total expenses	R2600		18,492,136

Vittoria Assicurazioni Group S.p.A.
S.22.01.22 Impact of the long term guarantee and transitional measures

		Amount with Long Term Guarantee measures and transitionals	Impact of transitional on technical provisions	Impact of transitional on interest rate	Impact of volatility adjustment set to zero	Impact of matching adjustment set to zero
		C0010	C0030	C0050	C0070	C0090
Technical provisions	R0010	2,595,784,706	-	-	- 14,121,419	-
Basic own funds	R0020	819,698,821	-	-	9,605,410	-
Eligible own funds to meet Solvency Capital Requirement	R0050	819,698,821	-	-	9,605,410	-
Solvency Capital Requirement	R0090	374,908,716	-	-	- 1,985,150	-
Eligible own funds to meet Minimum Capital Requirement	R0100	798,837,890	-	-	13,884,663	-
Minimum Capital Requirement	R0110	168,708,922	-	-	- 893,318	-

Vittoria Assicurazioni Group S.p.A.
S.23.01.22 Own funds

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation 2015/35						
Ordinary share capital (gross of own shares)	R0010	67,378,924	67,378,924		-	
Share premium account related to ordinary share capital	R0030	33,355,418	33,355,418		-	
Iinitial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040	-	-		-	
Subordinated mutual member accounts	R0050	-		-	-	-
Surplus funds	R0070	543,638,850	543,638,850			
Preference shares	R0090	-		-	-	-
Share premium account related to preference shares	R0110	-		-	-	-
Reconciliation reserve	R0130	154,464,698	154,464,698			
Subordinated liabilities	R0140	-				
An amount equal to the value of net deferred tax assets	R0160	20,860,931				20,860,931
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180	-	-	-	-	-
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II	R0220	-				
Deductions						
Deductions for participations in financial and credit institutions	R0230	-	-	-	-	-
Total basic own funds after deductions	R0290	819,698,821	798,837,890	-	-	20,860,931
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300	-				
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310	-			-	
Unpaid and uncalled preference shares callable on demand	R0320	-			-	-
A legally binding commitment to subscribe and pay for subordinated liabilities on	R0330	-			-	-
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340	-			-	
Letters of credit and guarantees other than under Article 96(2) of the Directive	R0350	-			-	-
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360	-			-	
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370	-			-	-
Other ancillary own funds	R0390	-			-	-

Vittoria Assicurazioni Group S.p.A.
S.23.01.22 Own funds – continued

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Total ancillary own funds	R0400	-			-	-
Available and eligible own funds						
Total available own funds to meet the SCR	R0500	819,698,821	798,837,890	-	-	20,860,931
Total available own funds to meet the MCR	R0510	798,837,890	798,837,890	-	-	
Total eligible own funds to meet the SCR	R0540	819,698,821	798,837,890	-	-	20,860,931
Total eligible own funds to meet the MCR	R0550	798,837,890	798,837,890	-	-	
SCR	R0580	374,908,716				
MCR	R0600	168,708,922				
Ratio of Eligible own funds to SCR	R0620	218.6%				
Ratio of Eligible own funds to MCR	R0640	473.5%				

		C0060	
Reconciliation reserve			
Excess of assets over liabilities	R0700	833,848,395	
Own shares (held directly and indirectly)	R0710	-	
Foreseeable dividends, distributions and charges	R0720	14,149,574	
Other basic own fund items	R0730	665,234,124	
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	-	
Reconciliation reserve	R0760	154,464,698	
Expected profits			
Expected profits included in future premiums (EPIFP) - Life business	R0770	8,848,399	
Expected profits included in future premiums (EPIFP) - Non- life business	R0780	24,466,905	
Total Expected profits included in future premiums (EPIFP)	R0790	33,315,304	

Vittoria Assicurazioni Group S.p.A.
S.25.01.22 Solvency Capital Requirement

		Gross solvency capital requirement	Undertaking Specific Parameters (USP)	Simplifications
		C0110	C0090	C0100
Market risk	R0010	218,041,207		
Counterparty default risk	R0020	52,649,577		
Life underwriting risk	R0030	27,570,863		
Health underwriting risk	R0040	22,895,124		
Non-life underwriting risk	R0050	266,034,914		
Diversification	R0060	- 164,972,999		
Intangible asset risk	R0070	-		
Basic Solvency Capital Requirement	R0100	422,218,686		

Calculation of Solvency Capital Requirement		C0100
Operational risk	R0130	44,666,390
Loss-absorbing capacity of technical provisions	R0140	-
Loss-absorbing capacity of deferred taxes	R0150	- 91,976,360
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	-
Solvency Capital Requirement excluding capital add-on	R0200	374,908,716
Capital add-on already set	R0210	-
Solvency capital requirement	R0220	374,908,716
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	-
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	-
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	-
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	-
Diversification effects due to RFF nSCR aggregation for article 304	R0440	-

Vittoria Assicurazioni Group S.p.A.
S.32.01.22 Undertakings in the scope of the Group

								Criteria of influence						Inclusion in the scope of Group supervision		Group solvency calculation
Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/ non mutual)	Supervisory Authority	% capital share	% used for the establishment of consolidated accounts	% voting rights	Other criteria	Level of influence	Proportional share used for group solvency calculation	Yes/No	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200	C0210	C0220	C0230	C0240	C0250	C0260
IT	LEI/8156003E4A94A3C84066	LEI	Vittoria Assicurazioni S.p.a.	4	Società per Azioni		IVASS	100%		100%		100%		1		1

Report of Independent auditors

Deloitte & Touche S.p.A.
Via Tortona, 25
20144 Milano
Italia

Tel: +39 02 83322111

INDEPENDENT AUDITORS' REPORT
PURSUANT TO ARTICLE 47-SEPTIES, n°7 OF LEGISLATIVE DECREE No. 209 OF SEPTEMBER 7, 2005 AND TO ARTICLE 10 OF THE LETTER TO THE MARKET OF DECEMBER 7, 2016

To the Board of Directors of
Vittoria Assicurazioni S.p.A.

We have audited the accompanying Quantitative Reporting Templates ("QRT") attached to the Solvency and Financial Condition Report of Vittoria Group as of December 31, 2016 ("SFCR") prepared according to the article 47-septies of Legislative Decree No. 209 of September 7, 2005:

- "S.02.01.02 Balance Sheet";
- "S.23.01.22 Own funds";

and the related notes included in the sections "D. Valuation for solvency purposes" and "E.1. Own Funds" of SFCR.

According to the paragraphs n°9 and n°10 of the Letter to the Market of December 7, 2016:

- we have not audited the items of the technical reserves relating to the "risk margin" (items R0550, R0590, R0640, R0680 e R0720) included in the QRT "S.02.01.02 Balance Sheet";
- we have not audited the "Group SCR" (item R0680) and the "Minimum consolidated Group SCR" (item R0610) included in the report "S.23.01.22 Own funds";

which are therefore excluded from our opinion.

Management's Responsibility

Management is responsible for the preparation of these QRTs and related notes in accordance with the directly applicable European directives and the national legislation, and for such internal control as management determines is necessary to enable the preparation of the QRTs and related notes that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the QRTs and related notes based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the QRTs and related notes are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the QRTs and related notes. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the QRTs and related notes, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the QRTs and related notes in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, made by management, as well as evaluating the overall presentation of the QRTs and related notes.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the QRT "S.02.01.02 Balance Sheet" and "S.23.01.22 Own funds" and related notes included in the sections "D. Valuation for solvency purposes" and "E.1. Own Funds" of the Solvency and Financial Condition Report of Vittoria Group as at December 31, 2016 have been prepared, in all material respects, in accordance with the directly applicable European Directive and the national legislation.

Criteria, purpose and restriction on use

The QRTs and related notes have been prepared on the basis of the criteria described in the section "D. Valuation for solvency purposes". Therefore, they could not be suitable for another purpose.

Other matter

The independent auditor's report pursuant to art. 14 and 16 of Legislative Decree no. 39 of January 27, 2010 and with article 102 of Legislative Decree no. 209 of September 7, 2005 for the consolidated financial statements of Vittoria Group as at December 31, 2016 and for the year then ended, was issued by us on March 29, 2017.

DELOITTE & TOUCHE S.p.A.

Signed by
Vittorio Frigerio
Partner

Milano, Italy
June 30, 2017

This report has been translated into the English language solely for the convenience of international readers.